

Policy and Guidelines Paper

Agency Direction for the 2020-21 Mandatory Annual Returns to Treasury

Preface

Treasury collects and combines the Annual Returns from public sector Agencies throughout New South Wales to produce the:

- Consolidated Financial Statements of the NSW General Government and Total State Sectors (known as the Total State Sector Accounts)
- Budget Result and other Key Aggregates announced by the Treasurer (published within the Total State Sector Accounts)
- Outcomes Report, prepared in accordance with an intergovernmental agreement to allow consistent comparisons between jurisdictions
- Government Finance Statistics (GFS) reports that are submitted to the Australian Bureau of Statistics (ABS), and
- Submissions to credit rating Agencies.

The Total State Sector Accounts produced by Treasury are subject to public scrutiny. It is important, therefore, that each Agency's Annual Returns are complete and accurate. Accurate and timely financial reporting is one aspect of sound financial management. The production of high quality and timely financial statements by Agencies is essential for Government decision making, timely management of public funds and enhanced public sector accountability.

The continued focus on improving the quality and timeliness of financial reporting resulted in the Total State Sector Accounts for 2019-20 receiving an unqualified audit opinion. The Auditor-General reported that Agency 2019-20 financial statements submitted for audit and used for the whole-of-government reporting, contained an increase in misstatements exceeding \$20 million compared to such misstatements in the prior period. The focus going forward will remain on the quality of Agency financial statements by reducing misstatements and the underlying causes.

The Supplementary Return is used to efficiently collect the other financial information that forms part of the Total State Sector Accounts, and that falls outside of the Agency's trial balance which is submitted through Prime / Excel.

This Policy Paper:

- should be read in conjunction with the Treasurer's Direction TD21-02 Mandatory Annual Returns to Treasury, as amended from time to time
- provides additional directions to Agencies relating to Annual Returns to be submitted to Treasury
- outlines procedures completed at an interim date under the [Treasurer's Direction on Mandatory Early Close as at 31 March each year \(TD19-02\)](#) that must be updated and finalised as part of the Annual Returns
- supersedes the previous version, issued as NSW Treasury Policy and Guidelines Paper TPP20-05 Agency Direction for the 2019-20 Mandatory Annual Returns to Treasury.

The references provided are correct at the time of publishing this document, however, some Treasury Circulars may be superseded before financial year end. References to Treasury Circulars in this document should be read as references to the replacement Circulars where applicable. Agencies should refer to the [Document and Resources library](#) on the NSW Treasury website for the latest Circulars and Policy Papers.

The convention of preparing separate Crown Entity financial statements has ceased in 2020-21. Agencies referencing the "Crown Entity" or "Crown Finance Entity" in financial statements must now replace these with "The Crown in right of the State of New South Wales". The short form "Crown" can be used once the full form has been defined.

The Government Sector Finance Act 2018

The *Government Sector Finance Act 2018* (GSF Act) was enacted in November 2018, and Parts of the GSF Act commenced on 1 December 2018. Financial reporting provisions are expected to commence on 1 July 2021. If those provisions commence on that date, then financial reports prepared on or after that date (including financial reports for 2020-21) will be required to comply with Part 7 of the GSF Act. For more information, please refer to NSW Treasury's [GSF Act website](#).

Stewart Walters
Chief Financial and Operations Officer
NSW Treasury

May 2021

For

Michael Pratt AM
Secretary
NSW Treasury

Note

General inquiries concerning this document should be initially directed to:
Total State Financial Reporting, NSW Treasury; agencyinfo@treasury.nsw.gov.au (with Agency Prime number, Agency Name and 'Annual Return 2021' in the Subject)

This publication can be accessed from the Treasury's website www.treasury.nsw.gov.au/.

People at Treasury who can help

Prime Questions

Agency Treasury Analysts – General Queries

| | |
|--------------------|-----------|
| Andrew Azar | 9228 5164 |
| Evelyn Pellew | 9372 7155 |
| Gareth van der Zel | 9228 3585 |
| Hugh Wilson | 9228 3167 |
| Jane Gu | 9228 4450 |
| Mathew Do | 9228 3322 |
| Tatiana Carlisle | 9228 4591 |

Emerging Issues, Correction of Material Prior Period Errors

| | |
|--------------|-----------|
| Angela Kelly | 9228 3352 |
| Hugh Wilson | 9228 3167 |

| | |
|------------------------------------|-----------|
| Sean Osborn (Accounting Policy) | 9228 5932 |
|------------------------------------|-----------|

System Queries, e.g. Prime system access, Prime upload facility
Prime Service Desk

Prime Functionality (including Training)

| | |
|--------------|-----------|
| David Tonkin | 9228 4638 |
|--------------|-----------|

Supplementary Return - definitions and classifications

| | |
|---------|-----------|
| Jane Gu | 9228 4450 |
|---------|-----------|

Treasury's Return Address

Remember to “Promote” the Prime data back to Treasury (Review Level 3) upon completion. Unless stated otherwise, returns should be forwarded electronically to Treasury by the due date to: agencyinfo@treasury.nsw.gov.au

Please include your Agency Prime number, Agency name and ‘Annual Return 2021’ in the subject title when emailing to Treasury.

Crown¹ related matters

Advances

| | |
|----------------|-----------|
| Mitra Karmakar | 9228 5839 |
| Charles Cheung | 9228 4604 |

Appropriations payments

| | |
|-------------|-----------|
| Angel Yu | 9228 5071 |
| Ramesh Nand | 9228 3138 |

Banking (accounts, products & services)

| | |
|-----------------|-----------|
| Henriette Prego | 9228 3873 |
|-----------------|-----------|

Cash management and interest payments

| | |
|----------|-----------|
| Jin Kang | 9228 4150 |
|----------|-----------|

Commonwealth grants

| | |
|----------|-----------|
| Jin Kang | 9228 4150 |
|----------|-----------|

Crown accounting policy

| | |
|------------------|-----------|
| Stephen Atkinson | 9228 4435 |
|------------------|-----------|

Crown guarantees

| | |
|------------------|-----------|
| Stephen Atkinson | 9228 4435 |
|------------------|-----------|

Debt management

| | |
|----------------|-----------|
| Mitra Karmakar | 9228 5839 |
| Charles Cheung | 9228 4604 |

Fringe Benefit Tax

| | |
|---------------|-----------|
| Estelle Zhao | 9228 5825 |
| Sherrilyn Lal | 8226 0186 |

Long service leave arrangements

| | |
|----------------|-----------|
| Charles Cheung | 9228 4604 |
| Mitra Karmakar | 9228 5839 |

Reimbursement of Crown expenses

| | |
|-------------|-----------|
| Angel Yu | 9228 5071 |
| Ramesh Nand | 9228 3138 |

Other correspondence:

Email: Crown_Entity@treasury.nsw.gov.au

1. The convention of preparing separate Crown Entity financial statements has ceased in 2020-21. Agencies referencing the "Crown Entity" or "Crown Finance Entity" in financial statements must now replace these with "The Crown in right of the State of New South Wales". The short form "Crown" can be used once the full form has been defined.

Resources/Links

Treasury Resources

NSW Treasury Policy Papers, Treasury Circulars, Treasury Directions, Treasury Analysis of Australian Accounting Standards, and other Treasury publications

<https://www.treasury.nsw.gov.au/documents-resources/documents-library>

Prime Knowledge Base

<https://nswtreasury.service-now.com/primesupportportal>

External Resources

Public Finance and Audit Act 1983

<https://www.legislation.nsw.gov.au/view/html/inforce/current/act-1983-152>

Government Sector Employment Act 2013

<https://www.legislation.nsw.gov.au/view/whole/html/inforce/current/act-2013-040>

The Government Sector Finance Act 2018

<https://www.legislation.nsw.gov.au/view/whole/html/inforce/current/act-2018-055>

CPA Australia

<https://www.cpaaustralia.com.au/professional-resources/reporting>

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Mandatory Annual Returns

1. Direction and Treasury Policy Paper

The Treasurer's Direction TD21-02 on Mandatory Annual Returns to Treasury applies, adopts and incorporates this Treasury Policy Paper (TPP), including the defined terms which also apply to this TPP.

TD21-02 and this TPP also describe a number of procedures to confirm that key controls over Agency balances are carried out. These procedures form good practice that should in any case be carried out at appropriate points in the financial year.

2. Mandatory Annual Returns

2.A Summary of Submissions

The Mandatory Annual Returns apply to all NSW public sector Agencies, including State Owned Corporations, that are required to submit Prime returns. Annual Returns constitute the financial statements and associated schedules/notes that reflect the Agency's financial performance during the year and financial position at the end of the year. Agencies are required to submit the following returns to Treasury by the specified dates, including for financial transactions and activities administered by the Agency on behalf of Treasury (formerly Crown) (i.e. State Revenue Agencies (S-Agency)).

Agencies must review and approve the following returns prior to submission to NSW Treasury. The information in the Prime Data Return must agree with the Financial Statements submitted for audit.

| Annual Return Procedure | 2021 date ¹ | Submission |
|--|------------------------|---|
| <u>Appendix J</u> – Valuation of LSL liability as at 30 June 2021 for Crown Funded LSL Agencies and members of the Agency Funded Crown LSL Pool (TC21-03 Accounting for Long Service Leave and Annual Leave, or its replacement) | 17 June | Treasury: Crown_Entity@treasury.nsw.gov.au |
| Final Return on Emerging Accounting Issues to Treasury as per TPP21-01 Agency Direction for the 2020-21 Mandatory Early Close | 21 June | Treasury: agencyinfo@treasury.nsw.gov.au |
| Final appropriations payments to Agencies | 24 June | N/A |
| 1. Final day for Agencies to claim reimbursements of LSL for both Crown Funded LSL Agencies and members of the Agency Funded Crown LSL Pool (must be submitted before 10:00am) and expenditure made on behalf of the Crown. | 25 June | N/A |
| 2. Final day for Agencies to send contributions to the Agency Funded Crown LSL Pool. | | |
| 3. Unclaimed monies to be deposited in the Consolidated Fund. | | |
| <u>Appendix J</u> with advice of the present value of the LSL liability will be returned to Crown Funded LSL Agencies and members of the Agency Funded Crown LSL Pool. | 8 July | N/A |
| Provide Agencies with Crown June ledger | 12 July | N/A |
| 1. Agencies operating unpaid cheque accounts on behalf of the Consolidated Fund must send reconciliation working papers . | 13 July | Treasury: Crown_Entity@treasury.nsw.gov.au |
| 2. Final LSL adjusting journal to Crown. | | |
| Final day for Crown to process non-LSL adjusting journals | 14 July | N/A |

| Annual Return Procedure | 2021 date¹ | Submission |
|--|---|--|
| 30 June 2021 Prime return (Period 12, Scenario SA0099) consistent with the draft financial statements. | 19 July ² | Prime |
| Appendix H – Certificate of Reconciliation with the Crown Ledger Appendix I – Crown Data Return Appendix G - Commonwealth Funding Agreement – Revenue Assessment Form | 20 July | Treasury: Crown_Entity@treasury.nsw.gov.au |
| 30 June 2021 Annual Financial Statements (including administered items note disclosure and supporting work-papers for the Audit Office of New South Wales) | 26 July ² | Audit Office of New South Wales and Treasury: agencyinfo@treasury.nsw.gov.au |
| Preliminary Annual Return (Appendix C(i)), and the completed Supplementary Return | 26 July | Treasury: agencyinfo@treasury.nsw.gov.au and Prime |
| Emerging Issues Resolutions (Appendix D) | 26 July | Treasury: agencyinfo@treasury.nsw.gov.au |
| Completed Accounting Issues Resolution Papers to Treasury, if applicable (Appendix E) | 26 July | Treasury: agencyinfo@treasury.nsw.gov.au |
| The Treasury (EB1102) administered items note disclosure | 6 August | Audit Office of New South Wales and Treasury: agencyinfo@treasury.nsw.gov.au |
| The Treasury (EB1102) to submit Supplementary Return and Appendix C(i) for administered items | 6 August | Prime and Treasury: agencyinfo@treasury.nsw.gov.au |
| Additional variance queries Excel spreadsheet (Appendix M(i)) due back from Agencies and Policy & Budget analysts | 13 August | Treasury: agencyinfo@treasury.nsw.gov.au |
| Revisions to Prime data submitted as part of the preliminary or final Annual Return for changes in financial statements and note disclosures for all subsequent adjustments and errors (corrected or uncorrected) above \$5 million. All Agencies are required to provide an Appendix B , including nil returns. These may be incorporated into the Total State Sector Accounts prior to submission to audit. | 18 August ³ | Treasury: agencyinfo@treasury.nsw.gov.au |
| Subsequent revisions to Prime data submitted as part of the preliminary or final Annual Return for changes in financial statements and note disclosures for all subsequent adjustments and errors (corrected or uncorrected) above \$5 million. Agencies to provide updated Appendix B . These may <u>not</u> be incorporated into the Total State Sector Accounts prior to submission to audit and may be reported as an error. | Within one day after the issue is identified ³ | Treasury: agencyinfo@treasury.nsw.gov.au |
| Final Annual Return to Treasury | Within one day of receiving the signed Independent Auditor's Report | Treasury: agencyinfo@treasury.nsw.gov.au |

| Annual Return Procedure | 2021 date ¹ | Submission |
|---|---|---|
| Notification of events after the 30 June 2021 reporting period (post balance sheet events) | Within one day of the Agency becoming aware of the issue | Treasury: agencyinfo@treasury.nsw.gov.au |
| Treasury to submit draft Consolidated State Financial Statements to the Audit Office of New South Wales | 7 September | N/A |
| 30 June 2021 Prime return (Period 13, Scenario SY0099) and Supplementary Return Form 5a consistent with the signed audited financial statements to Treasury. | Within 3 business days of the later of Prime being opened for Final returns and Receipt of the Independent Auditor's Report | Prime |

1. All Appendices and returns are to be provided on or before the due dates (including Nil returns)
2. An extension of time will not be permitted
3. It is anticipated that Agencies will not have any unexpected adjustments or errors over \$5 million with the improvements to financial reporting process undertaken by the sector

The following information provides guidance and templates to assist Agencies in completing the Annual Returns to Treasury for the 2020-21 Financial Year.

All returns and relevant working papers are to be emailed to agencyinfo@treasury.nsw.gov.au.

i. Crown Data Return (CDR)

To assist with the preparation of the NSW Treasury administered items note disclosure, all NSW Public Sector Agencies are required to complete the CDR which must be emailed to the Crown_Entity@treasury.nsw.gov.au by no later than 20 July 2021. Further details are contained in the attached Guidance, with the CDR in [Section 2.D](#) and [Appendix I](#).

ii. Prime Data Return (including State Revenue Agency data where applicable)

Agencies submit their 30 June 2021 Prime return consistent with the 2020-21 draft financial statements by 19 July 2021. Agencies submit data into Period 12 (Scenario: SA0099 – June 2021). Please refer to [Appendix F\(i\)](#) for instructions.

iii. Preliminary Annual Return

Submission due by 26 July 2021:

- Completed 2020-21 financial statements as prepared for audit;
- Updates to Prime Data Return (including State Revenue Agency data where applicable), for any changes since 19 July 2021
- Supplementary Return in Prime (see Section 2.A.iv below), **excluding** State Revenue Agency data
- Preliminary Annual Return Checklist ([Appendix C\(i\)](#))
- Details of the correction of material prior period errors
- Updates to Emerging Issues ([Appendix D](#))
Details of the resolution of the Emerging Issues communicated to Treasury in the Return on Emerging Issues in 26 February 2021, 26 April 2021 and 21 June 2021; and Information on any other Emerging Issues identified subsequent to the submission of the Returns on Emerging Issues and the details of the resolution of these issues
- Any Accounting Issues Resolution Papers ([Appendix E](#))

Other Submission due by 13 August 2021:

- Financial Statement Variance Analysis ([Appendix M\(i\)](#))

Other Submission due by 18 August 2021:

- Revisions to Preliminary Annual Returns ([Appendix B](#)).

iv. Supplementary Return

The Agency is required to complete the Supplementary Return in Prime as part of the Preliminary Annual Return. **Agencies must ensure that the information reconciles to their financial statements.**

- a. The Supplementary Return in Prime provides Treasury with additional financial information that falls outside of the ordinary trial balance. Treasury relies where possible on Agency trial balances and unaudited financial statements. Treasury is also required to obtain this additional information to prepare disclosures for notes to the Audited Consolidated Financial Statements of the NSW General Government and Total State Sectors.
- b. Please note that many schedules require dissections. These assist Treasury with the elimination of inter-Agency commitments and balances upon consolidation and provide for additional disclosures in the notes to the Total State Sector Accounts. For example, the PPE movement reconciliation require a dissection of movements with three groups:
 - Other General Government Agencies
 - Other NSW Public Sector Agencies i.e. owing to Public Non-Financial Corporations (“PNFC”) and Public Financial Corporations (“PFCs”)
 - All other entities i.e. the Private Sector, Commonwealth, Local Governments and Other State Governments.The total of the above three groups must agree to the total movements reported in the PPE notes to your financial statements. Refer to Appendix A4 of the [2020-21 Budget Statement](#) if you require a list of NSW public sector Agencies by sector classification.
- c. Refer to the Supplementary Return User Guide on Prime for further guidance to assist you to prepare the Supplementary Return: Prime > Application Tasks > Documents > expand User documents.

v. Resolution of Emerging Issues previously advised to Treasury and Agencies Audit and Risk Committee

The Agency is required to complete and email the completed [Appendix D](#) ‘Resolution of Emerging Issues previously advised to Treasury as part of the Mandatory Early Close’ and [Appendix E](#) ‘Accounting Issues Resolution Papers’ prepared on the identified Emerging Issues to agencyinfo@treasury.nsw.gov.au with the other components of the Preliminary Annual Return. This includes any other Emerging Issues identified subsequent to the submission of the Returns on Emerging Issues and the details of the resolution of these issues. Agencies must notify its Audit and Risk Committee of emerging issues reported to Treasury.

vi. Final Annual Return

- a. due within one day of receiving the signed Independent Auditor’s Report, comprises:
 - Audited financial statements
 - Independent Auditor’s Report on Agencies financial statements
 - Engagement Closing Report issued to your Agency by the Audit Office of New South Wales
 - Management Letter (within one day of receipt from the Audit Office of New South Wales).
- b. due within 3 business days of the later of Prime being opened for Final returns and Receipt of the Independent Auditor’s Report:
 - Final Prime Data Return (including State Revenue Agency data where applicable). Agencies submit data into Period 13 (Scenario: SY0099 – June 2021). All Agencies are required to submit data into Prime Period 13, even if there are no changes to the data previously submitted into Prime Period 12. Please refer to [Appendix F\(ii\)](#) for instructions.
 - Final Annual Return Checklist ([Appendix C\(ii\)](#))
 - ‘P13 SY0099’ Schedule 5a Return (Reconciliation between preliminary and final Prime return) of the Supplementary Return (no other schedules are required as part of the final annual return). Detailed instructions can be found on the Prime Knowledge Base (see [KB0011379](#)). These explanations should provide an auditable basis for justifying the movements between the consolidated closing balances of the State and subsequent movements.

2.B Detailed Plan with Key Stakeholders

Agencies must develop a detailed plan with key stakeholders to allow for submission of information referred to above. The plan must be developed in consultation with key stakeholders, including the Audit Office of New South Wales, and incorporate sufficient time for management review and involvement of the Audit and Risk Committee of the Agency.

Prior to submitting the Annual Returns to Treasury, Agencies must:

- Engage proactively with the Audit Office of New South Wales to discuss any concerns identified during the Early Close Process. Relevant actions must be taken to resolve any issues prior to preparing Agency financial statements to avoid the possibility of modification of the opinion within the Independent Audit Report and the incidence of reported misstatements.
- Identify, document and notify Treasury and Agencies Audit and Risk Committees of emerging issues or likely misstatements.
- Complete the Annual Return Checklists that define the minimum requirements for the Annual Returns. Agencies may perform additional procedures as part of a strategy to improve the quality and timeliness of financial reporting. This must be signed and provided to Treasury at the same time as the year-end financial statements are submitted to the Audit Office of New South Wales and Treasury.

2.C Detailed Guidelines for Preliminary Annual Return

As part of the Mandatory Annual Return, the following should be performed (Refer to [Section 2.E](#) below for COVID-19 considerations):

i. Finalise revaluations of property, plant and equipment conducted as part of the Treasurer’s Direction on Mandatory Early Close as at 31 March each year (TD19-02)

Revaluations should be based on appropriate methodologies and records kept to support this valuation at 30 June each year.

ii. Document the fair value assessment of property, plant and equipment (including service concession arrangements)

Review and document useful lives and residual values including reasons why the Agency concluded carrying value was not materially different to the fair value. Demonstrate and document why assets have been placed in each level of the valuation hierarchy under Australian Accounting Standard AASB 13 *Fair Value Measurement*. For instance, valuations with Level 2 classifications should not contain significant unobservable inputs.

iii. Update employee annual leave provisions

Reconciliation and calculation of annual leave provisions must be completed. The balances calculated for the Early Close 31 March Financial Statements must be rolled forward with adjustments for monthly accruals and actual payments as part of the 30 June Financial Statements.

iv. Agree and confirm inter and intra (cluster) Agency transactions and balances

As part of the year-end process, Agencies should confirm the dollar amount of material NSW Public Sector inter-Agency statement of comprehensive income transactions and statement of financial position balances. Generally, the threshold is \$5 million however; a lower materiality may apply for particular ICP (Internal Counter-Party) mismatches due to the nature and/or volume of transactions, for example personnel services, government grants.

ICP mismatches can be reviewed by running the ICP mismatch report at an Agency level. All material ICP mismatches should be investigated and cleared as part of your Prime data submission and review. The Agency providing the service (e.g. the debtor) should take the lead in agreeing each balance.

This is necessary to ensure:

- that the amounts reported in Prime by the Agencies will correctly and completely eliminate on consolidation at a whole of government level
- the amounts reported in the financial statements are consistently applied by the Agencies, and in the same financial period.

Documentation of the confirmation is required, and should be retained by the Agency, to evidence year end processes.

v. Document all significant management judgements and assumptions made when estimating transactions and balances, including one-off transactions and provide to the Audit Office of New South Wales, together with all relevant supporting documentation

Where transactions and balances involve significant management judgements and assumptions, Agencies must document these in accounting issue resolution papers ([Appendix E](#)) those judgements and assumptions. Significant management judgements and assumptions are those that:

- have a significant impact on the amounts and information recognised in the financial statements and notes, and
- are particularly judgemental, involve multiple assumptions and/or involve estimation uncertainty (e.g. the estimates are highly sensitive to changes in the assumptions).

The accounting issue resolution papers must:

- summarise the accounting issue, set out management's evaluation of the issue, its conclusion and whether the NSW Treasury Accounting Policy Team supports the accounting position where they have been consulted
- be concise, ideally no longer than three pages in length, and
- be made available for review and assessment by Treasury and the Audit Office of New South Wales.

Materiality must drive the decision about the extent of documentation. Management's determination of materiality should be discussed with the Audit Office of New South Wales.

[Appendix E](#) provides a template for the reporting of the resolution on accounting issues.

Agencies should collect and retain appropriate documents to support significant judgements and significant assumptions made when estimating transactions and balances, and record the process used to arrive at those assumptions. Examples of significant judgements and significant assumptions include:

- discount rates used in determining present values
- estimated useful lives of assets
- inputs into actuarially determined balances
- asset revaluations and impairment
- valuation of and accounting for financial instruments
- assumptions used to calculate material provisions
- determining expected credit loss provisions for receivables and financial guarantee contracts under AASB 9.

Management judgement may be required in determining:

- the correct accounting for a new transaction or balance
- whether an entity is classified as for-profit or not-for-profit
- whether major assets are classified within levels 1, 2 or 3 in the AASB 13 hierarchy
- whether the entity controls a subsidiary (AASB 10 and 11) with less than half the voting power
- classification of a lease as finance or operating as lessor
- whether lease renewal / termination options will be exercised
- whether an asset meets the definition and recognition criteria to be recognised as a service concession asset
- whether an asset meets the criteria to be classified as held for sale
- whether a property qualifies as an investment property
- whether related party transactions are material and require disclosure per AASB 124
- appropriateness of the going concern basis of accounting
- whether modifications to financial instruments result in derecognition of that instrument

- existence and measurement of contingent liabilities and assets.

Agencies should engage effectively with all affected stakeholders and agree financial implications and accounting treatments, including engaging with its Principal Cluster Agency and Treasury to ensure whole-of-government impacts are properly classified for consolidation. On conclusion Agencies should update the ledgers, financial statements and note disclosures to reflect the treatment and make available to Treasury where necessary any formal advice from external consultants. It is the Principal Cluster Agency's responsibility to ensure consistent accounting treatment within its cluster.

vi. Prepare balance sheet account reconciliations

Agencies must:

- reconcile balance sheet accounts monthly, including the valuation of employee leave and other key provisions,
- clear reconciling items, including resolving outstanding items of bank and other key (debtor/creditor) reconciliations, and
- ensure all general ledger accounts are independently reviewed and approved with all analytical work performed to support the reconciliations for both accuracy and completeness.

vii. Reconcile the June month-end Prime Data Submission to the pro forma 30 June Financial Statements using Schedule 5a of the Supplementary Return

Agencies must provide explanations for variances exceeding \$5 million. The reconciliation is to be captured via Schedule 5a of the Supplementary Return in Prime.

viii. Review and agree changes in accounting policy with the Agencies Principal Cluster Agency. Notify and provide all documentation to your Audit Office of New South Wales team. Accounting adjustments, particularly arising from changes in accounting policies, changes in accounting estimates and errors for any prior period(s), opening balance adjustments, or future year impacts – in particular focus on classification and adjustments arising from revaluations.

The Agency is to submit their accounting policy changes to the Principal Cluster Agency for review and agreement. The purpose of this direction is so accounting policy changes are approved by the Principal Cluster Agency, and Agencies within a cluster are applying consistent accounting policies.

ix. Prepare notes to Financial Statements

The Agency must prepare note disclosures including prior year comparative information and all narrative disclosures. The Agency must prepare and make available to the Audit Office of New South Wales, on request, monthly account reconciliations in support of key balances as part of the working papers to support the notes to Financial Statements.

Agencies must provide/action:

- prior year comparative information
- prior period errors / corrections and restatements
- current year-to-date figures
- updated accounting policies
- updated wording reflecting new and revised accounting standards (see [Appendix A](#)) and Treasury policies
- consideration of the possible effects of accounting standards issued but not yet effective
- the date of last and next scheduled comprehensive valuations for each class of physical non-current assets
- impact of restructures
- Agencies, in their capacity as lessors, must disaggregate each class of property, plant and equipment (PP&E) into assets subject to operating leases and assets not subject to operating leases. Agencies must include in their financial report, disclosures required by AASB 116 *Property, Plant and Equipment* for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor (AASB 16, para 95). Refer to the [Financial Reporting Code](#) for an example of disaggregated disclosure.

- Agencies are reminded of the requirement to provide disclosures on performance obligations and contract liability balances recognised under AASB 15 *Revenue from Contract with Customers*. Agencies must disclose the following information in their financial statements:
 - Revenue recognised that was included in the contract liability balance at the beginning of the year (AASB 15, para 116(b));
 - Revenue recognised from performance obligations satisfied in previous periods (AASB 15, para 116(c)); and
 - Transaction price allocated to the remaining performance obligations from contracts with customers (AASB 15, para 120(b)).
- impact of COVID-19 on Financial Reporting for 2020-21. The following areas may be impacted and require increased disclosure:
 - fair value of property, plant and equipment – Level 3
 - impairment of non-financial assets
 - financial instruments
 - expected credit losses
 - inventories
 - superannuation and long-term provisions (including employee provisions)
 - going concern
 - events after the reporting period.

Please refer to the guidance for financial statement disclosure available on Treasury COVID-19 Related Accounting Guidance [website](#) and [Section 2.E](#) below for further details.

- disclosure on contingent assets and contingent liabilities. Accounting Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires disclosure of contingent assets and contingent liabilities in the financial statements. Agencies must disclose their contingent assets and liabilities in their financial statements and complete and submit the Contingent Assets and Liabilities Supplementary Return to Treasury at year-end. The Return also requires information on contingent assets and liabilities that exist but are not reported by the Agency, as they are the responsibility of Treasury administering for/on behalf of the Crown.
- information on financial guarantees. AASB 9 *Financial Instruments* requires recognition of any liability for financial guarantee contracts in the Statement of Financial Position. Agencies must separately identify financial guarantees, and any other instruments of assurance (refer to Treasury Policy Paper [TPP17-08 Requirements for Issuing, Managing and Reporting Instruments of Assurance](#)) that are issued with Treasury's backing as well as those issued without.
- disclosure on consultants and other contractors expense. A 'consultant' is a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision-making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors. Services provided under the NSW Government Legal Services Panel are excluded from the definition of a consultant for annual reporting purposes. Please record Consultants expense to Prime account AE208020001 *Consultant Expenses*.
An 'other contractor' expense is any individual or organisation (other than a consultant) who is engaged to undertake work that would or could be regarded as normally undertaken by an employee, but internal expertise is not available. Other contractors, however, excludes personnel service expenses (disclosed as a separate line item, per Treasury Circular TC15-07 *Financial and Annual Reporting requirements arising from personnel service arrangements*) and contractors related to maintenance (disclosed as part of maintenance expense). Please record Contractors expense to Prime account AE208040001 *Contractor Expenses*.

x. Variance analysis – [Appendix M\(i\)](#)

All Agencies must complete detailed variance analysis for the year to 30 June 2021. The variance analysis should include:

- Comparison of your Agency's actual 2020-21 financial performance and financial position to the 2019-20 financial performance and financial position
- Comparison of your Agency's actual 2020-21 financial performance and financial position to the original budgeted 2020-21 financial performance and financial position where AASB 1055 *Budgetary Reporting* (AASB 1055) applies to your Agency

For Principal Cluster Agencies and high risk entities, [Appendix M\(i\)](#) is at a more granular level this year to streamline the process by Agencies providing variance commentary earlier in the process and to avoid further follow up from Treasury.

xi. Financial Arrangements

The Agency must ensure:

- financial arrangements are authorised in accordance with section 6.22(2) of the GSF Act, and
- records in respect of the financial arrangements are kept, including any financial arrangement approvals, in accordance with section 6.22(8)(b) of the GSF Act.

xii. Prepare Administered Items Disclosures in Financial Statements (General Government Sector Agencies Only)

All General Government Sector agencies must include note disclosures in their financial report on transactions and balances that are “administered” by it on behalf of the State of NSW. Agencies should address the following:

- Administered transactions and balances must be accounted for using the principles and requirements that apply to controlled transactions of the same nature i.e. accrual basis).
- The notes to the financial statements must show details of transactions and balances in relation to “Administered Items”, including revenue, expenditure, assets and liabilities.
- The recommended minimum disclosure for administered incomes and expenses is outlined in the [Financial Reporting Code](#) at Note 9. The recommended minimum disclosure for administered assets and liabilities is outlined in the [Financial Reporting Code](#) at Note 35. Additional line items should be included for any additional administered transaction and balances applicable to the agency.
- For whole-of-government reporting purposes, General Government Sector agencies **must reconcile administered transactions and balances as per agency financial statement disclosures to amounts recorded in Prime in the relevant State Revenue Agency.**

Refer to [TPP21-03 Accounting Policy: Guidance on Administered Items](#) for guidance on under what circumstances activities that an entity is responsible for should be disclosed as administered items, rather than recognised as controlled items in its financial statements.

xiii. Finalise Right-of-Use-Assets and Lease Liability balances.

Agencies need to ensure that all lease arrangements are accurate and complete and all work papers should be made available to the Audit Office of New South Wales for their review.

Consideration should include:

- all additions, disposal (terminations) of leases are reflected in the movements of right-of-use assets and lease liabilities
- right-of-use-assets and lease liabilities should include the impact from changes in future lease payments (e.g. upon market rent review) and lease term (e.g. change in estimates on lease extension options)
- Agencies are required to assess at the end of each reporting date whether there are any indications of impairment/reversal of impairment in accordance with AASB 136 *Impairment of Assets* (AASB 136.9 (e.g. rent market has had a significant movement since the last impairment assessment date, right-of-use has been remeasured upon the market rent review), and
- the initial recognition of new leases, and lease modifications for which the use of a new discount rate is required by AASB 16, are measured using the latest AASB 16 discount rate published on the Treasury website, unless TCorp rates are not applicable to the entity.
- For leases managed by Property NSW, Agencies:
 - will need to perform their own high-level calculations to determine whether the expected impact is broadly in line with the information provided by Property NSW
 - should apply the 31 March 2021 indices for the impairment assessment at 30 June 2021, provided there is no material movement (Agencies will need to consult with the Audit Office of New South Wales to ensure there is no material impacts due to movement between 31 March and 30 June indices).
 - must review the source data from Lease Accelerator provided in the SharePoint site from Property NSW and advise Property NSW of any changes. Property NSW will be receiving the June 2021 Quarter market rent forecasts on 15 July 2021 and will be providing

- updates to lease accounting information, including impairment reversal updates, to Agencies by 31 July 2021.
- are to consult with the Audit Office of New South Wales to confirm the movement in indices is not material
- are required to provide feedback (including a nil return) by 15 August to Property NSW via email pnsw.leaseaccounting@property.nsw.gov.au to confirm:
 - no additional non-market rent related changes
 - no material changes due to the change in indices.
 Property NSW will finalise lease data by 31 August 2021.
- are to include updates as part of [Appendix B](#) returns.

Please refer to [TC 20-02 AASB 16 Lease Subsequent Measurement of Right of Use Asset](#) for further details.

We remind Agencies to consider the requirements of AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* when making disclosures about the uncertainties inherent in their estimates (for instance, where appropriate, Agencies should indicate that estimates are subject to change).

xiv. Finalise assessment of all revenue contracts.

Agencies should complete their assessment of all revenue contracts (new and modified) and ensure revenue is accurate and complete and has been correctly accounted for under AASB 15 *Revenue from Contract with Customers* or AASB 1058 *Income of Not-for-Profit Entities*. Please refer to the [Accounting Policy](#) website for additional guidance.

xv. ‘Liability for Lapsed Appropriations Drawn Down’

There has been a recent review of the requirement to recognise a “Liability for Lapsed Appropriation Drawn Down” as at 30 June. This has been discussed with Legal and the Audit Office of New South Wales. It has been determined, there is no requirement to recognise a financial liability for lapsed appropriations or unused cluster grants (or other grants of which the spending authority is conferred by the annual Appropriations Act). Therefore, there is no requirement to recognise a “Liability for Lapsed Appropriations Drawn Down” as at 30 June, where at that date the entity has in place the legal authority to spend that amount immediately from 1 July. E.g. via the Appropriations Act for that financial year commencing 1 July.

However, the requirement to complete a Summary of Compliance in relation to appropriations will continue.

The FRC currently requires principal departments to recognise lapsed appropriations as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be returned to the account managed by Treasury. This will be updated by Accounting Policy.

This should be applied retrospectively if the impact is material. However, the carryover request and approval process will continue in Treasury for internal monitoring purposes. Further details on Agency Carry Forward policies can be found under TC15/08. Approved amendments and supplementations to annual appropriation limits are confirmed in writing to the relevant Minister.

xvi. Agencies must update financial instruments

The Annual TCorpIM Funds distribution statements will be provided by the NSW Treasury Corporation (TCorp). Other financial instrument information for disclosures will also be available at 30 June 2021.

xvii. ‘Agency Performance Adjustments’ (previously referred to as ‘TMF Hindsight Adjustments’)

Agencies must accrue their Agency Performance Adjustment (APA) for this financial year. Agencies will be provided with a preliminary estimate of their expected APA by icare. Refer to [Appendix K](#) for further details and accounts to record the APA accrual in Prime.

xviii. Agencies must re-calculate insurance, superannuation, and other employee liabilities

Accounting standards require that insurance, superannuation and other long term provisions are recalculated using a 30 June discount rate.

Note: State Owned Corporations (SOCs) and TCorp must apply the 30 June High Quality Corporate Bond Yield when calculating their defined benefit superannuation liability and Long Service Leave liabilities for use in the Agency's financial statements, and for the data submission in Prime.

SOCs and TCorp are also required to recalculate the Long Service Leave liabilities at 30 June, using the 30 June Government Bond rate (Commonwealth Government Bond Yields quoted by Reserve Bank of Australia), and complete the template included as part of the Supplementary return. This information is required for the Total State Sector reporting at 30 June, which continues to be based on the 30 June Government Bond rate.

All other Agencies must use the 30 June Government Bond rate to discount their insurance, superannuation, and other employee liabilities.

xix. Correct classification of accounting balances and transactions in accordance with Australian Bureau of Statistics (ABS) and Government Finance Statistics (GFS) classifications

Classification of the Functions of Government (COFOG) data is used to report information on revenue disaggregation and expenses and assets by function in the notes to the Total State Sector Accounts. It is also used to prepare the Outcomes Report under the Uniform Presentation Framework (UPF). Users of this information include the Australian Bureau of Statistics (ABS), Productivity Commission, Reserve Bank of Australia, credit rating Agencies, media organisations and the general public.

Most Agencies will have a one for one mapping from their Program to a COFOG, so it is essential that Programs are captured accurately in Prime.

It is essential that classifications are correct and significant movements on previous reported balances are explained. Agencies should run the 'COFOG 4-Digit Reports' in Prime to confirm that program data has been entered accurately and review major movements between reporting periods.

Your Treasury analyst will be in contact to request further details on significant movements in COFOG data if required. The accuracy of COFOG is to be reviewed and approved by the relevant Agency officers prior to submission.

xx. Document the accounting treatment for Restructures and Discontinued/Abolished Agencies

The accounting treatment for changes to Agency structures resulting from legislative or other changes, must be documented and available for review by Treasury and the Audit Office of New South Wales.

Restructures, discontinued and/or abolished Agencies will impact financial reporting requirements. The effects of such changes need to be assessed for each entity. For part year financial reporting requirements of an Agency that has been abolished or dissolved, financial statements should reflect all necessary disclosures that are required due to restructures.

Agencies should refer to [TPP09-3 Contributions by owners made to wholly-owned Public Sector entities](#) and AASB 1004 *Contributions* for guidance on the designation of asset/liabilities transfers as transfers of equity.

In accordance with section 7.7 of the *Government Sector Finance Act 2018*, a former reporting GSF Agency is required to prepare a financial report for the period until the date that it ceased to be a reporting GSF agency. However, the Treasurer may give directions:

- exempting a former reporting GSF Agency from that requirement, based on prescribed exemption criteria, or

- modify that requirement for such an Agency.

xxi. Obtain evidence of authorities / approvals for transactions within Delegation

Ensure all material transactions are supported by appropriate delegations. Under the *Government Sector Finance Act 2018*, all transactions require a relevant authority. Agencies should ensure financial statements work papers include evidence of authorities and approvals, that are within the appropriate delegations for significant items, such as:

- restructured arrangements
- material, complex or one-off transactions, and
- equity transfers.

Relevant authority might be evidenced by:

- Treasurer's Directions
- Written delegations from Ministers, and
- Secretary/Chief Executive/CFO Delegations (financial).

xxii. Review and resolve prior year Management Letter and Engagement Closing Report issues

Agencies should review all prior management letters and audit engagement closing reports to consider appropriate management responses and actions. Agencies should:

- document evidence of management's review of issues raised and endorsement of the solutions/approach including resolved issues
- assign responsibility for issue resolution to appropriate staff
- update the ledgers, financial statements and note disclosures to reflect the solutions/approach
- retrospectively restate comparative information where applicable to reflect new treatment and advise Treasury accordingly
- engage with auditors, Treasury and other stakeholders as required.

xxiii. Finalise information on the Impact and Assessment of New Accounting Standards.

AASB 1059 comes into effect for the financial year ending 30 June 2021. At the same time, TPP06-8 will be withdrawn effective from 1 July 2020.

Agencies must submit updates to returns previously provided as part of Early Close as soon as they are aware of any amendments.

2.D Detailed Guidelines for Crown Data Return

The convention of preparing separate Crown Entity financial statements has ceased in 2020-21. Agencies referencing the "Crown Entity" or "Crown Finance Entity" in financial statements must now replace these with "The Crown in right of the State of New South Wales". The short form "Crown" can be used once the full form has been defined.

Many transactions and balance of the Crown are now administered items of Treasury and will be included in note disclosures of NSW Treasury's financial statements. Information provided by Agencies, additional to data from the Crown's ledgers maintained by Treasury, is required to complete the administered items note disclosure.

Agencies that normally forward a Nil return are requested to examine their situation to see if a Nil return is again applicable. Nil returns will be accepted prior to 30 June 2021.

a) Banking arrangements

NSW Treasury maintains a number of bank accounts. Care must be exercised to ensure that deposits are made to the correct bank account and that the correct bank details and account number are quoted. The main accounts for transacting with the Crown are:

Consolidated Fund (ConFund) Westpac bank account:

BSB: 032-001

Account: 20 3850

Crown Operating ANZ bank account:

BSB: 012-100

Account: 838163575

For clarification or more information contact Ramesh Nand on (02) 9228 3138.

b) Payments to the Crown

Agencies crediting the Crown's bank accounts must ensure that receipt vouchers for those deposits are emailed to Crown_Receipts@treasury.nsw.gov.au on the day of the deposit.

It is essential that all Public Revenue, Collections and Remitting bank accounts operated by Agencies are cleared by the year-end. This will ensure that all ConFund revenues, user-charges etc. are properly brought to account. To ensure a smooth flow of such entries, Agencies must clear their collections of Crown revenues to the appropriate Crown bank accounts at least weekly during June and on a daily basis during the period 16 June 2021 to 30 June 2021 inclusive.

c) Unpaid cheque accounts operated on behalf of the ConFund

A number of larger Agencies operate a Treasurer's Unpaid Cheque Account on behalf of the ConFund. As these accounts form part of the ConFund's cash at bank total, the Treasury Finance requires reconciliations of these accounts for its year end work papers. The reconciliations and related working papers are to be emailed to Crown_Entity@treasury.nsw.gov.au by 13 July 2021.

The balance of the unpaid cheque account must not include cheques unpaid/dishonoured for more than 2 months. These are to be cleared, with appropriate deposit made to the credit of the Treasurer's Unpaid Cheque account.

d) Appropriation Payments

Final appropriation payments will be paid on 24 June 2021.

Reimbursement of all other expenditures except for LSL and unclaimed moneys will be made up to and including 25 June 2021.

Note that there is no longer a "Liability for Unspent Appropriations Dawn Down". Refer to section 2.C.xv for further details.

e) Long Service Leave (LSL) - Calculation of the present value of LSL for the Crown Funded LSL Agencies and the Agency Funded Crown LSL Pool

LSL must be accounted for in accordance with *AASB 119 Employee Benefits* (AASB 119) and discounted appropriately. Agencies whose LSL is assumed by the Crown and those belonging to the Agency Funded Crown LSL Pool must complete [Appendix J](#) Crown Funded LSL Agencies and members of the Agency Funded Crown LSL Pool and provide on or before 17 June 2021.

Treasury Circular TC 21-03 *Accounting for Long Service Leave and Annual Leave*, mandates the required treatment for returns to Treasury. In particular, Agencies should:

- accrue for on costs of Annual Leave while the employee is on Annual Leave or Long Service Leave
- accrue for the on costs of Long Service Leave whilst the employee is on Annual Leave.

f) LSL - Expensing the accruing cost of LSL for the Crown Funded LSL Agencies

At year end, Crown Funded LSL Agencies are required to reconcile the movement of LSL liability assumed by the Crown during the financial year and complete Section 3.2 Provision of Long Service Leave – Certificate of Reconciliation of [Appendix I](#) Crown Data Return. Agencies should ensure that the expense appearing in the Agency's financial statements for LSL assumed by the Crown agrees

with the LSL expense (Crown general ledger accounts 842000 and 842004 - new general ledger accounts, 40200 and 40210 - old general ledger accounts).

Where officers are transferred between Category 1 Agencies, Agencies must ensure that the transferred LSL liabilities do not impact on LSL expense. The transferred amount must be reported in line item "Staff transferred in/out – non-cash transfers" in the Return.

If a discrepancy is identified, Agencies must investigate and rectify the errors before lodging the Return. The Crown general ledger accounts 842000 and 842004 must not be used to balance up the yearly movement. Reconciliations must be performed.

Agencies must advise a final adjusting journal (clearly marked as such) as per the requirements of Treasury Circular TC 14-06 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements no later than 13 July 2021.

g) LSL - Payment of adjusting cash contribution to the Agency Funded Crown LSL Pool

Members of the Agency Funded Crown LSL Pool with a final adjusting payment or direct bank credit (clearly marked as such), must make these on or before 24 June 2021. The payment will ensure that the correct portion of all 2020-21 salaries and wages payments has been paid into the appropriate account. In this regard, your attention is particularly drawn to the requirements of Treasury Circular TC14-06.

h) LSL - Recoupment of LSL

Amounts payable for June 2021 LSL by GGS Agencies and those Crown LSL Pool Agencies entitled to a reimbursement from the Crown are to be lodged by 10 am on 25 June 2021.

i) Unclaimed money

Any unclaimed money and part balances of any Special Deposits Account no longer required should be deposited into the ConFund, Westpac Bank Account BSB: 032-001 Account: 20 3850, by 24 June 2021 for credit of the Consolidated Fund Receipts general ledger account 858075 - Transfers under Section 4.14 of the GSF Act.

j) Reconciliation with the Crown ledger

Agencies transacting with the Crown and receiving ledger print-outs for transactions must submit [Appendix H](#) Certificate of Reconciliation with the Crown Ledger by 20 July 2021. Note that Agencies' ledgers must agree with the Crown ledger as at 30 June 2021 in respect to the administered revenue remitted to the Consolidated Fund.

The submission of the signed Certificate of Reconciliation must be supported with a copy of the June month end ledger print-out, as evidence of the balances being reconciled.

The full June month end printouts will be emailed to Agencies on 12 July 2021.

Any discrepancies are to be reported to Treasury Finance as soon as possible to allow sufficient time for resolution.

For enquiries regarding the ledger printouts, contact Ramesh Nand (9228 3138) or Hitesh Shakya (9228 5842).

k) Commonwealth funding with sufficiently specific performance obligations

AASB 1058 Income of Non-for-Profit Entities (AASB 1058) and *AASB 15 Revenue from Contracts* (AASB 15) with Customers are effective for not-for-profit entities for the years beginning on or after 1 January 2019. To comply with these Accounting Standards, revenue adjustments need to be recognised in the administered items note disclosure in NSW Treasury's financial statements, in relation to federal funding with sufficiently specific performance obligations that Treasury collects on behalf of the State. These funds are subsequently distributed to departments and Agencies via the appropriations process. Departments and Agencies that are receiving such federal funding through appropriations/cluster grants are responsible for identifying and calculating the revenue adjustments

from the State's perspective. Agencies must submit this information via the Crown Data Return. See [Appendix I](#) for more details.

I) Complete and return the Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements.

Agencies that receive funding through Commonwealth-State Funding Agreements indirectly via the appropriation process, must complete and return the Commonwealth Funding Agreement – Revenue Assessment Form ([Appendix G](#)) for all new and amended Commonwealth Funding Agreements entered or amended during this financial year. This form should be returned via email to Crown_Entity@treasury.nsw.gov.au by 20 July 2021.

2.E Accounting and Disclosure impacts of Natural Disaster and COVID-19

A number of Agencies may have been impacted by floods, drought, bushfire and COVID-19 through the year. The guidance only provides a brief summary of the requirements in *AASB 101 Presentation of Financial Statements* (AASB 101), and Agencies should refer to AASB 101, the disclosure requirements within applicable accounting standards and [TPP20-09 Financial Reporting Code for NSW General Government Sector Entities](#) where applicable when preparing disclosures. Agencies must consider the impact of these on the 30 June 2021 financial statements.

Agencies should also ensure any disclosures relating to COVID-19 made *outside* of the financial statements are consistent with disclosures in their financial report.

Factors to consider include, but are not limited to:

a) Heightened disclosures are expected in the current COVID-19 environment

The economic uncertainty related to COVID-19 makes the need for full disclosure of judgements, assumptions and sensitive estimates particularly important.

The key requirements for disclosures of significant judgments, assumptions and estimation uncertainty can be found in AASB 101.

AASB 101.122 “An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.”

AASB 101.125 “An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- their nature
- their carrying amount as at the end of the reporting period.”

Significant judgments usually relate to applying accounting standards, where management has had to exercise significant judgement in determining the accounting treatment and typically relate to how something is characterised. For example:

- Assessment of control under AASB 10, or significant influence under AASB 128 Investments in Associates and Joint Ventures (AASB 128)
- Lessor classification as finance or operating lease
- Whether lease options are reasonably certain to be exercised
- Classification of financial instruments
- Risk of default in estimating expected credit losses.

Sources of estimation uncertainty are typically related to the measurement of assets and liabilities. For example, uncertainties in relation to:

- Determining fair values or recoverable amounts of assets using estimated future cash flows, risk adjusted discount rates etc)

- Actuarial assumptions for defined benefit superannuation obligations
- Assumptions about the timing and amount of future cash flows in measuring provisions and contingencies
- Forward looking estimates in expected credit losses
- Estimates of future variable revenue.

The disclosure requirements for significant judgements and estimation uncertainty are separately distinguished in AASB 101. In the current COVID-19 environment, it is likely there will be:

- New matters that have material assumptions, estimates and management judgements
- Major revisions of existing matters, due to significantly changed assumptions and uncertainties.

It will therefore be particularly important to provide as much context as possible for the assumptions and predictions underlying the amounts in the financial statements. Suitable disclosure of a particular matter may address both the requirements to disclose significant judgments and sources of estimation uncertainty together.

It is important to note disclosure is required for those assumptions and sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities **within the next financial year**.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Note: Other accounting standards also include specific disclosure requirements that relate to estimates and uncertainties (e.g. AASB 137 or AASB 13). However, compliance with these specific disclosures may not be sufficient to meet AASB 101 requirements. (AASB 101.129 provides expectations around sensitivities which may not be required under a specific standard).

b) Key features of disclosures

Further guidance is provided in paragraphs AASB 101.122-133. This includes examples of the types of disclosures an entity might make.

Disclosures for significant judgments should:

- Be specific to an entity's circumstance
- Include why the judgment was made
- Include why it is significant (i.e. effect on financial statements)
- How the conclusion was reached.

Disclosures for sources of estimation uncertainty should:

- Be specific and explain the nature of the assumption or uncertainty
- Include the carrying amount of the affected assets/liabilities with sensitivity analysis
- Include the expected resolution of an uncertainty and ranges of possible outcomes
- Include an explanation of changes made to past assumptions.

c) Financial instruments

Changes in market prices and cash flow forecasts, as well as greater risks and uncertainties due to COVID-19 may significantly change the fair values of assets and liabilities.

Assumptions regarding inputs to valuations will possibly change and be less reliable due to the economic uncertainty under COVID-19. Agencies will need to disclose any significant changes in assumptions and changes to the reliability of those assumptions.

Increased uncertainty in valuation assumptions due to COVID-19, could mean assets or liabilities move between Level 2 and Level 3 where unobservable inputs have become significant. For example, a counterparty may encounter financial difficulties and where credit risk may not have been a significant input in previous years, measurement may now require a credit risk adjustment which is not based on observable inputs (as it reflects the credit risk specific to the counterparty).

Agencies may need to make disclosures if their business model for managing financial assets has changed as a result of COVID-19.

Additional disclosures may be required in respect of changes to how an Agency manages changes in risk exposures. For example:

- Increased credit risk, due to counterparties encountering financial difficulty, may prompt management to introduce new credit limits to manage credit risk.
- The current environment may increase exposure to liquidity risk and require changes to how an Agency manages settlement of its financial liabilities.

Agencies may have new types of financial instruments as a result of Government's response to natural disasters or COVID-19. For example, new financial guarantee contracts.

Agencies will need to include disclosures where a contingent liability has changed to a liability.

Substantial modifications to the terms and conditions of a financial liability, require derecognition of this original financial liability and a new financial liability to be recognised at fair value. This new financial liability will be measured using a revised discount rate. This will result in a gain or loss recognised in the profit or loss and may significantly change the carrying value of that liability. Disclosure of such circumstances and assumptions would be required.

d) Fair value of property, plant and equipment (PPE)

The guidance in this section is written for property, plant and equipment (PPE), but the same principles apply to valuations of other non-current physical assets, such as investment properties. The guidance applies to every financial year but is particularly relevant in the current environment.

In the COVID-19 environment there is the potential for volatility and declines in the market conditions, that underly assumptions in valuations of non-current physical assets. There is also likely to be increased uncertainty in respect of valuation assumptions and, in some instances, less available data. Agencies will need to disclose information about changes in the reliability of assumptions; and significant changes in assumptions.

Other assumptions that may change significantly include:

- discount rates
- adjustments for risk
- market data.

Agencies should be alert for information that arises after 30 June, that could provide evidence fair values have changed materially from current carrying values.

- If such information relates to conditions that existed at 30 June, this will likely be an adjusting post-balance date event
- If such information relates to conditions that arose after 30 June, this will likely be a non-adjusting post-balance date event. There are disclosure requirements for material non-adjusting events.

Valuation reports should include sufficient evidence to support the approach and professional judgements of the valuer. For example: published data sources data, valuer adjustments for unobservable inputs, uncertainties associated with assumptions. In particular, if the current environment means a valuer uses different evidence; assumptions move; or changes the valuation approach, detailed evidence will be needed for audit.

It is particularly important this year that agencies engage with their valuers throughout the year-end process. Agencies should discuss the impact of Covid-19 with their valuers and involve their audit teams up to the dates agency and TSSA financial reports are signed.

Agencies should advise Treasury immediately of any concerns. For example:

- Potential lack of audit evidence in reports
- Need to formally perform revaluations out-of-cycle.

e) PPE not subject to cyclical formal comprehensive valuation

There are additional risks associated with PPE that is 'out-of-cycle' for the 3 or 5 years requirements in *TPP14-01 Valuation of Physical Non-Current Assets at Fair Value* (TPP14-01). Unexpected market volatility may mean agencies need to switch from their existing plans. For example, if a management assessment at Early Close indicated no revaluation is necessary, but conditions change by 30 June.

Management assessments of whether a revaluation is necessary should be performed at Early Close and updated at 30 June. These should then be monitored until just before sign-off of agency and TSSA financial statements. If updated management assessments indicate a revaluation is required, action will be needed immediately to perform a management valuation or a formal valuation.

f) Impairments

Natural disasters and COVID-19, may in some instances result in impairment through damage, obsolescence, loss of demand or service potential. Additional disclosures may be necessary to explain why assets were impaired or not impaired. Agencies should consider *AASB 136 Impairment of Asset* (AASB 136) in the current environment.

Assumptions regarding inputs to recoverable amounts estimates will possibly change and be less reliable in the circumstances. Agencies will need to disclose information about the reliability of assumptions; and significant changes in assumptions. For example, where there is uncertainty in cash flow projection assumptions used in value-in-use calculations, additional disclosures on the sensitivity of carrying amounts to changes in assumptions may be appropriate. Additional line items may be appropriate to present impairments for specific asset classes e.g. investments, PPE etc.

g) Provisions and other liabilities

When applying AASB 137 Agencies should review the assumptions and estimates (including relevant discount rates) used in estimating provision. Agencies must also carefully assess liabilities and recoveries arising under insurance type arrangements.

h) Onerous Contracts

Agencies should review existing contracts and recognise a provision for onerous contracts, where a contract exists in which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

i) Inventories

Inventories, other than those held for distribution, may have lower net realisable values (NRVs) in the current economic environment. Where NRV is lower than the inventory carrying value, an adjustment to NRV is required.

Inventories held for distribution may experience a loss of service potential as a result of COVID-19. Agencies will be required to disclose significant judgments applied in determining whether there has been a loss of service potential. e.g. the basis on which any loss of service potential is assessed, such as current replacement cost or functional or technical obsolescence.

Disclosure of assumptions and the basis for estimates, in measuring the loss of service potential, will be required.

j) Superannuation Provisions

Assumptions and inputs to actuarial estimates are likely to have changed significantly.

Disclosures will be required in respect of significant changes to assumptions and estimates e.g. discount rate, CPI, salary increases, mortality rates etc. Assumptions and estimates relating to defined benefit superannuation obligations will be provided to Agencies by the actuary.

Agencies should consider disclosures around increased uncertainties relating to assumptions. For example, where there is increased uncertainty relating to an assumption, sensitivity disclosures may need to include additional or a broader range of scenarios.

k) Expected Credit Losses (ECL)

Credit risk has likely increased in the current environment. Some Agencies will have changed terms and conditions with counterparties. For example, offering deferred payment terms to counterparties.

The use of historical data to estimate future expected collections, will need to be reassessed. Historical data is likely to be far less reliable in the current economic environment. Where historical data is used, adjustments for the future are likely to change significantly. Disclosures regarding increased uncertainty over the collection of receivables may be appropriate. Agencies will need to disclose sources of estimation uncertainty and any changes to the methodology and assumptions for determining impairment of receivables. For example, changes in the ECL that result from moving from the 12-month ECL basis to the Lifetime ECL basis.

l) Post Balance Date Events

It is expected that decisions taken to address COVID-19 are likely to be the relevant events under AASB 110, rather than the pandemic itself. Disclose where significant judgement is exercised in determining whether an event is adjusting/non-adjusting.

m) Going Concern

If any Agencies have their continued existence put into material doubt, as a result of natural disaster or COVID-19, this should be disclosed and in extreme cases, the financials restated to recoverable values. This assessment should take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment needs to be made at the date the Agency's financial report is issued.

n) Key Challenges

Disclosures will be unique to the individual circumstances of your Agency – the nature and extent of the information provided will vary according to the nature of the assumption and other circumstances.

Disclosure around estimation uncertainty is sometimes described as 'an art not a science' and it is important to prepare disclosures to provide sufficient information to allow the users to understand how these assumptions and judgments were formed and why.

It will be important to look ahead and consider disclosures before year end, as this will assist in identifying areas where assumptions/estimates may have significantly changed from previous financial years or are subject to significant uncertainty. This will allow time to challenge and gather further information.

Where applicable, Agencies should also consider disclosing the reasons assumptions and estimation uncertainty have not materially changed due to COVID-19, where users of financial statements might reasonably expect there to be material changes.

Further NSW Treasury guidance on the impact of covid-19, including the guide *Financial Statements Disclosures*, can be found at [COVID-19 Related Accounting Guidance | NSW Treasury](#).

2.F Accounting and Disclosure on the Effect of Climate Change

In preparing financial statements, agencies should consider climate related matters, if the effect of climate risk is material. When preparing financial statements, agencies should consider:

- what amounts presented in the financial statements could reasonably be impacted by climate-related risks

- whether users could reasonably expect that climate-related risks, could affect disclosures reported in the financial statements and have indicated the importance of such information to their decision making, and
- the impact of climate-related risks and other emerging risks on key assumptions made in preparing the financial statements, that are material, and what disclosures should be made in respect of those assumptions.

Please refer to the [Guidance on how to reflect the effects of climate-related matters in financial statements](#) which can be found on the Treasury website.

3. Events after the reporting period

The Agency is required to notify Treasury of events after the reporting period, as defined in Australian Accounting Standard AASB 110 *Events after the Reporting Period*, within a day of the Agency becoming aware of the issue. Agencies are required to perform an assessment of the events after the reporting period in accordance with AASB 110.

4. Correction for errors to submitted data

The Agency must advise Treasury of all subsequent adjustments and/or errors (corrected or uncorrected) to the financial statements greater than \$5 million so that the Total State Sector Accounts can be assessed for revision.

While \$5 million might or might not be material to an Agency, the \$5 million threshold will assist Treasury to assess those matters that individually, or collectively, could materially impact the State's consolidated financial statements.

The Agency is required to complete, including nil returns, and email [Appendix B](#) 'Revisions to Prime Data for Changes in Financial Statements and Note Disclosures' to agencyinfo@treasury.nsw.gov.au by 18 August 2021. Any errors or adjustments identified subsequently must be advised to Treasury no later than 1 day after you identify adjustments and/or errors in aggregate, above \$5 million. This includes compensating (offsetting) errors greater than \$5 million even if the net impact is less than \$5 million. If the adjustment/error is less than \$5 million, even if it is material to your Agency, there is no need to advise Treasury. However, it must be corrected in the Agency's Final Annual Return.

We encourage the submission of identified errors prior to the deadline date, so that any adjustments will not constitute an error to the Total State Sector accounts submitted to the Audit Office of New South Wales.

Agencies are required to complete and email the completed [Appendix D](#) and any Accounting Issues Resolution Papers ([Appendix E](#)) prepared on the identified Emerging Issues to agencyinfo@treasury.nsw.gov.au with the other components of the Preliminary Annual Return.

5. Prior year data

The Agency may only change comparative information if the change is required by the Australian Accounting Standards, for example due to a change in accounting policy or as a correction of a material error in a prior period. Note, Australian Accounting Standards require that all changes resulting from revisions to estimates must be made prospectively, and not retrospectively adjusted.

The prior year annual financial statements must agree to the prior year Prime data. Please email agencyinfo@treasury.nsw.gov.au immediately with the details of any unadjusted discrepancy, including Prime accounts, amounts and an explanation. You will need to demonstrate that the change is eligible for retrospective restatement and complies with accounting standards.

Changes to the prior year Prime data must be endorsed by your management, and a copy provided to the Audit Office of New South Wales to enable audit of the annual financial statements. Treasury might not be able to immediately action your request to amend the previous year's Prime return, however we will be able to advise you how to prepare the interim Prime return.

6. Submission of Financial Statements for Audit

Refer to date set in section 2.A above.

7. Exemption and Extensions

Refer to Treasurer's Direction TD21-02 on Mandatory Annual Returns to Treasury.

8. The Government Sector Finance Act 2018

The *Government Sector Finance Act 2018* (GSF Act) financial reporting provisions are due to commence on 1 July 2021. Treasury will advise agencies as soon as those provisions commence.

If those GSF Act provisions commence on 1 July 2021, then agencies will prepare their 2020-21 financial reports in accordance with those provisions. In practice, that will mean very little change to financial reports from 2019-20 as both the *Public Finance and Audit Act 1983* (PFAA) and the GSF Act require that agencies prepare their financial reports in accordance with Australian Accounting Standards.

If those GSF Act provisions commence on 1 July 2021, then agencies must refer to the GSF Act in their 2020-21 financial reports rather than the PFAA. In addition, the accountable authority certification statement accompanying the financial report will refer to the GSF Act rather than the PFAA. Treasury is preparing 'example wording' for the accountable authority certification statement. This will be made available on the GSF website. There will also be a fact sheet about the GSF Financial reporting commencement (the fact sheet will also include the example certification statement).

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TPP21-04 - Agency Direction for the 2020-21 Mandatory Annual Returns

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Appendix A: Changes to Accounting Standards 2020-21

Below is a list of all new/revised Accounting Standards applicable for the first time in 2020-21.

AASB 1059 Service Concession Arrangements: Grantors, AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

Australian Accounting standard AASB 1059 applies to service concession arrangements. These are arrangements where an operator uses a service concession asset to provide a public service on behalf of the State.

Where an arrangement is within the scope of the standard, AASB 1059 requires service concession assets to be recognised from the start of the arrangement or over the construction period, with a corresponding liability to reflect any payments due to the operator, and/or where the State has granted to the operator a right to charge users of the asset.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. It clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.

The application of the Conceptual Framework is at present limited to:

- (a) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and
- (b) other for-profit entities that voluntarily elect to apply the Conceptual Framework, which would permit compliance with Australian Accounting Standards (Tier 1) and International Financial Reporting Standards (IFRS Standards).

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The Standard amends AASB 7, AASB 9 and AASB 139 to modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. In addition, the amendments require entities to provide additional information about their hedging relationships that are directly affected by these uncertainties.

AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions

This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

Appendix B: Revisions to 2020-21 Prime Data for Changes in Financial Statements and Note Disclosures

Due date for first return by: **18 August 2021**

Email to: agencyinfo@treasury.nsw.gov.au

After forwarding the Preliminary Annual Return, Agencies need to advise Treasury of all subsequent adjustments and/or errors (corrected or uncorrected) above \$5 million, when they are identified, so the Total State Sector Accounts can be assessed for revision.

Complete and email this form no later than 1 day after you identify errors, in aggregate, above \$5 million. This includes compensating (offsetting) errors greater than \$5 million whose net impact is less than \$5 million. **All Agencies are required to provide an Appendix B, including nil returns, by 18 August 2021.**

Where appropriate attach further information e.g. extract from the revised financial statements or an Accounting Issue Resolution Paper (as provided in [Appendix E](#)).

Changes in Financial Statements and Note Disclosures:

Agency Name Agency No. (Prime)

1. Is there an error or adjustment in excess of \$ 5m to the Preliminary Annual Return
Yes No
2. Who identified the adjustment/error? Audit/Management
3. Has management verified the adjustment/error? Yes No
4. Does management plan to amend the 2020-21 financial statements? Yes No
5. Date Audit Office of New South Wales was notified of the issue?
6. Resolution action?
7. Resolution date?
8. Is audit in agreement with management's plans? Yes No
If no, explain.

9. What is the nature of the adjustment/error?

10. What Prime journals are required for the adjustment or to correct the error (if it relates to the trial balance)?

Please document in the table below or attach, if insufficient space. Please provide journal even if you answered 'NO' to questions 3 or 4.

| Dr/ Cr | A/c description | Prime a/c # (including movements) | Program | ICP | \$ | Comments – jnl description |
|-----------|-----------------|---|---------|-----|----|-------------------------------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

11. What amendments are required to the Supplementary Return schedules for the adjustment / to correct the error?

Please attach updated Supplementary Return schedules.

Signed: **Chief Finance Officer:**
(Name of CFO)

Agency Contact: (Name) **(Tel)** **...../...../2021**

Appendix C(i): Preliminary Annual Return Checklist

Forward to Treasury at the same time, as the preliminary Annual Return procedures are completed and submitted to the Audit Office of New South Wales

Due date by: 26 July 2021

Email: agencyinfo@treasury.nsw.gov.au

Agency Name: **Agency No. (Prime)**

| Annual Procedures | yes "✓" no "x" n/a "–" |
|---|------------------------------|
| <ul style="list-style-type: none"> Submit 30 June 2021 reporting information into Period 12 in Prime (Scenario: SA0099 – June 2021), including State Revenue Agency data where applicable. Also refer Appendix F(i). | |
| <ul style="list-style-type: none"> Prepared the pro forma financial statements in line with the Financial Reporting Code TPP20-09 issued by Treasury and in accordance with Accounting Standards and Treasury's mandates Circular TC20-08. | |
| <ul style="list-style-type: none"> Accounting position papers for key emerging issues have been submitted to and resolved with the Audit Office of New South Wales. | |
| <ul style="list-style-type: none"> Confirm the Agency complies with Treasury's mandatory accounting policies with a detailed explanation if it does not comply. | |
| <ul style="list-style-type: none"> Confirm the management review and sign off of the revaluation of Property, Plant and Equipment (PPE) (including Service Concession Assets (SCA) where applicable). | |
| <ul style="list-style-type: none"> Confirm the fair value assessment of PPE (including SCA where applicable) has been documented, discussed and agreed with the Audit Office of New South Wales. | |
| <ul style="list-style-type: none"> Confirm the revalued PPE (including SCA where applicable) has been included in the Prime submissions and financial statements. | |
| <ul style="list-style-type: none"> Confirm PPE / SCA / intangible movements in the balance sheet and break downs in the note disclosures have been reconciled. | |
| <ul style="list-style-type: none"> Confirm employee annual leave provisions have been updated and submitted to the Audit Office of New South Wales for review. | |
| <ul style="list-style-type: none"> Confirm that all material inter-Agency balances and transactions have been broken down by Agency and material inter-Agency balances have been confirmed with contra Agencies. | |
| <ul style="list-style-type: none"> Confirm all key account balances have been reconciled. | |
| <ul style="list-style-type: none"> <i>For Principal Cluster Agency only:</i> Confirm review and assessment of consistency in accounting treatment of all new material transactions and balances among cluster Agencies. | |
| <ul style="list-style-type: none"> Confirm all lease arrangements have been correctly accounted for in right-of-use-assets and lease liabilities. | |
| <ul style="list-style-type: none"> Confirm all revenue contracts have been assessed and accounted for under AASB 15 and AASB 1058. | |
| <ul style="list-style-type: none"> Confirm there are no changes to the 2019-20 closing balances (This would include adjustments relating to AASB 1059 and the revoking of TPP06-8 reported at Early Close). If a change is proposed: attach journal, explanation and proposed disclosure. | |
| <ul style="list-style-type: none"> Explain any unresolved prior year audit issues (prior year Management Letter and Engagement Closing report issues) including the proposed action plan to resolve them. | |
| <ul style="list-style-type: none"> Attach journal, explanation and proposed disclosure where 2019-20 comparatives are amended due to the correction of a material error, or a change in accounting policy (not previously provided to Treasury as part of the AASB1049 and withdrawal of TPP06-08 early close requirements). | |

| Annual Procedures | yes "✓" no "x" n/a "-" |
|---|------------------------------|
| <ul style="list-style-type: none"> Confirm the new accounting standards assessment is complete and there is supporting work papers to evidence how the Agency has considered requirements of new and updated accounting standards. | |
| <ul style="list-style-type: none"> - If applicable, ensure supporting work papers evidence how the Agency has considered and addressed the requirements of AASB 1059 and withdrawal of TPP06-08. | |
| <ul style="list-style-type: none"> Identify and document accounting issues including all one-off, complex or significant transactions. | |
| <ul style="list-style-type: none"> - document the transactions using the template at Appendix E | |
| <ul style="list-style-type: none"> - engage effectively with all affected stakeholders and agreed financial implications and accounting treatments, including with Treasury to ensure whole-of-government impacts are properly classified for consolidation | |
| <ul style="list-style-type: none"> - outline and submit to Treasury the management judgements, assumptions undertaken, estimates and the basis of treatment | |
| <ul style="list-style-type: none"> - update the ledgers, financial statements and note disclosures to reflect the treatment | |
| <ul style="list-style-type: none"> - make available to Treasury where necessary any formal advice from external consultants. | |
| <ul style="list-style-type: none"> Assess the impact of contingent assets and liabilities and note all quantifiable and non-quantifiable contingencies in the supplementary return. | |
| <ul style="list-style-type: none"> Confirm management review of the financial statements and work papers and endorsement of the annual financial statements. | |
| <ul style="list-style-type: none"> Confirm the 30 June 2021 Prime return reconciles to the financial statements provided to the Audit Office of New South Wales and Treasury and schedule 5a of the Prime Supplementary Return has been completed with detailed variance analysis. | |
| <ul style="list-style-type: none"> Confirm management review and endorsement of the supplementary returns. | |
| <ul style="list-style-type: none"> Confirm that the derived cash closing balance in the cash flow statement is correct and agrees to the statement of financial position (cash assets less bank overdraft). | |
| <ul style="list-style-type: none"> If your Agency has been impacted by changes to legislation and/ or financial reporting requirements, confirm that these have been discussed and agreed with the Audit Office of New South Wales. | |
| <ul style="list-style-type: none"> Agree all equity transfers with the counterparty. | |
| <ul style="list-style-type: none"> Confirm all material transactions are supported by appropriate delegations. | |
| <ul style="list-style-type: none"> Submit this checklist to Treasury. | |

I confirm that the above Annual Return Procedures have been complied with, as indicated. Where Annual Return Procedures have not been complied with, an appropriate explanation is attached.

Signed: **CFO / Authorised delegate**.....

Name of CFO/authorised delegate:

Agency Contact: (Name) **(Tel)**

..... / 07 /2021

Appendix C(ii): Final Annual Return Checklist

Email: agencyinfo@treasury.nsw.gov.au

Agency Name: Agency No. (Prime)

| | |
|--|---------------------------|
| Annual Procedures - Forward to Treasury <i>within one day</i> of receiving your Independent Auditor's Report from the Audit Office of New South Wales | For yes "✓" and no "x" |
| <ul style="list-style-type: none"> Submit final, audited financial statements to Treasury | |
| <ul style="list-style-type: none"> Submit final Independent Auditor's Report and Engagement Closing Report to Treasury | |

| | |
|---|---------------------------|
| Annual Procedures - Forward to Treasury <i>within the later of three days</i> of receiving your Independent Audit Report and the reopening of Prime for P13 re-submissions. | For yes "✓" and no "x" |
| <ul style="list-style-type: none"> Submit Final Prime Data Return for Period 13 in Prime (Scenario: SY0099 – June 2021), including State Revenue Agency data where applicable. <p>(Note: All Agencies are required to submit data into Prime Period 13, even if there are no changes to the data previously submitted into Prime Period 12)</p> | |
| <ul style="list-style-type: none"> Prepare a reconciliation, explaining and supporting all changes to Preliminary Period 12 and Final Period 13 Prime submissions. | |
| <ul style="list-style-type: none"> Complete Schedule 5a of the Supplementary Return Comparing the Audited financial statements and Prime P13 data submission | |
| <ul style="list-style-type: none"> Submit this checklist to Treasury together with the reconciliations referred to above. | |

I confirm that the above Annual Return Procedures have been complied with, as indicated. Where Annual Return Procedures have not been complied with, an appropriate explanation is attached.

Signed: CFO / Authorised delegate.....

Name of CFO/authorised delegate:

Agency Contact: (Name) (Tel)

..... / /2021

Appendix D: 2020-21 Resolution of Emerging Issues previously advised to Treasury as part of the Mandatory Early Close (TD19-02)

Due date by: 26 July 2021

Email: agencyinfo@treasury.nsw.gov.au

Agency Name **Agency No. (Prime)**

Where appropriate attach further information e.g. extracts from pro-forma notes to financial statements

- As part of the Mandatory Early Close did you report any emerging issues with an impact of more than \$5 million? Yes/No

If yes, what was the nature of the issue(s), and how was this resolved in the agency's Financial Statements. If appropriate attach an Accounting Issue Resolution Paper ([Appendix E](#)).

Examples of emerging issues include:

- unresolved accounting policy issues or other matters which the Audit Office of New South Wales has indicated may lead to the qualification of the Independent Auditor's Report.
 - complex transactions and contracts
 - key risk areas that could impact the quality or timeliness of your financial statements
 - significant asset revaluations particularly those involving estimation uncertainty
 - significant revenue /expense items – i.e. significant in size compared to the previous year (It is not necessary to report to The Treasury about superannuation, as it is generically volatile)
 - significant adjustments direct to equity – for example from agency restructures
 - new disclosures resulting from the adoption of accounting standards, changes in accounting policies
 - discontinuing operations, sale of a significant asset, new business acquisitions etc.
 - the accounting treatment of new privately financed projects
 - new or significant changes to contingent liabilities/assets
- Does management plan to amend the 2020-21 financial statements for the emerging issue? Yes/No
 - Have management's positions on the above emerging issues been provided to the Audit Office of New South Wales? Yes/No/N/A

Audit Office of New South Wales

- For any unresolved emerging issues, what date has the audit team indicated that it plans to report to your organisation its observations based on the audit procedures conducted at the early close?/...../2021 or N/A

| | |
|------------------------------|---|
| Signed: | Chief Finance Officer: (Name of CFO) |
| Agency Contact: (Name) | (Tel) /...../2021 |

Appendix E: Accounting Issue Resolution Paper (Template)

Due date for first return by: **26 July 2021**

Email: agencyinfo@treasury.nsw.gov.au

Agency Consideration:

| | | | |
|----------------------|--|-----------------|-----------------|
| Date Prepared | <i>[insert date prepared]</i> | | |
| Date Updated | <i>[insert date revised if applicable]</i> | | |
| Agency | <i>[insert name of Agency that the issue relates]</i> | Agency # | <i>[insert]</i> |
| Preparer | <i>[insert name of the preparer of this Position Paper]</i> | | |
| Issue | <i>[insert brief description of the nature of the issue being addressed]</i> | | |

Background:

[Describe the background to the current issue and any related information which better frames how the issue arose and the current difficulties being faced by the Agency]

Stakeholders:

[Describe the key stakeholders impacted by this issue and how they have been consulted]

Description of Issue:

[Provide a detailed description defining the current issue faced by the Agency]

Consideration of Accounting Treatment:

Agency Policy:

[Identify any accounting policies or standards which directly relate to addressing the issue. Consideration should include:

- *Accounting Standards*
- *Treasury Policies, Circulars and Directions*
- *Agency Specific Policies]*

Are adopted accounting policies/treatment aligned with Accounting Standards? Yes / No

Technical Analysis & Options:

[Describe the Agency's position and interpretation of policies and accounting standards- including any advice provided by an accounting firm or other specialist. Further, outline any options available on how the issue may be interpreted and addressed – e.g. through interpretations of the policy and standards or through differences of opinion]

Proposed Accounting & Finance Impact including Disclosures:

Does the transaction require retrospective or prospective adjustments (refer AASB 108)?

Yes / No

If retrospective adjustments are required, demonstrate that the adjustment required is 'material', indicate the historical periods and amounts that require adjustment in the template below.

Please provide journals taking into consideration any impact to prior year financial statements and all impacts to the financial statements, including the reasons for the transaction.

| Financial Impact (\$000) | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|--|----------------|----------------|----------------|----------------|----------------|
| Budget Result (-ve worsens) | | | | | |
| Operating Result | | | | | |
| Net Lending | | | | | |
| Financial Statement (-ve worsens) | | | | | |
| Balance Sheet | | | | | |
| Operating Statement | | | | | |
| Financial Impact (\$000) | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| Prior Year Financial Statements (-ve worsens) | | | | | |
| Balance Sheet | | | | | |
| Operating Statement | | | | | |

Concluding Position:

[Describe the final position/option that the Agency has identified to be the most appropriate recommendation]

Consultation:

[Provide whether the NSW Treasury Accounting Policy Team supports the accounting position and details of person consulted. If not consulted, enter 'not applicable'.]

Agency Sign Off & Review:

| Sign-off | Role | Signature | Date |
|-----------------|--|------------------|-------------|
| [insert name] | Financial Accountant (Preparer) | | |
| [insert name] | Financial Manager (Reviewer) | | |
| [insert name] | Agency CFO (Reviewer) | | |

Appendix F(i): Prime Guidelines for the Preliminary Annual Return

Actuals for the Total State Sector Accounts are completed first:

The following steps are undertaken after account balances are finalised and Prime account classifications and counterparties are checked in your upload file.

- Set the following **dimensions** in your upload file:
 - **Scenario:** SA0099 for P12 Actuals
 - **Year:** 2021
 - **Period:** June
- On the **Home** screen, click on **Navigate**, then select **Applications**
- Under **Consolidation**, select **PRIME**. A new **PRIME** tab appears next to the **Home Page** tab
- Click on the triangle to expand the **Agency User** task list, then double-click on **FDMEE-Link**
- Upon establishing the FDMEE link, Prime will display the **Data Management** tab
- Click on **Data Load Workbench** to show the **Data Load Workbench** panel
- Click on the Location link to bring up the **Point of View (POV)** window to set the required POV:
 - Select your **Agency**
 - Set the **Period:** June 2021
 - Set the **Category:** Actual TB (trial balance only) or Actual TB MOV (if your upload file contains the trial balance and movement schedules)
- Upload data to agree to your financial statements
- Where applicable, general government Agencies input programme data and Classification of the Functions of Government (COFOG) splits
- Run Prime financial reports to ensure that they agree and reconcile to the financial statements
- Complete the Prime supplementary schedule and ensure it reconciles back to Prime data
- If the cash flow statement is not deriving the correct closing cash balance, use the *REP153A - Non Cash Transactions Validations Report – Detailed Periodic (AASB 101)* to assist you to debug any misclassifications
- 'Promote' the file to Review Level 3
- Advise Treasury that 2020-21 Prime is complete by emailing to agencyinfo@treasury.nsw.gov.au the remainder of the Preliminary Annual Return i.e. the supplementary return and the financial statements by the due dates
- Treasury will review your preliminary Prime Data Return.

Appendix F(ii): Prime Guidelines for the Final Annual Return

Treasury will advise you when Prime is available to update it with your audited financial information.

To update Prime for the Final Annual Return

- Set the following **dimensions** in your upload file:
 - **Scenario: SY0099 for P13 Actuals**
 - **Year: 2021**
 - **Period: June**
- On the **Home** screen, click on **Navigate**, then select **Applications**
- Under **Consolidation**, select **PRIME**. A new **PRIME** tab appears next to the **Home Page** tab
- Click on the triangle to expand the **Agency User** task list, then double-click on **FDMEE-Link**
- Upon establishing the FDMEE link, Prime will display the **Data Management** tab
- Click on **Data Load Workbench** to show the **Data Load Workbench** panel
- Click on the Location link to bring up the **Point of View (POV)** window to set the required POV:
 - Select your Agency
 - Set the Period: June 2021
 - Set the Category: Actual AUDITED TB (trial balance only) or Actual AUDITED TBMov (if your upload file contains the trial balance and movement schedules)
- Upload data to agree to your financial statements
- Where applicable, general government Agencies input programme data and Classification of the Functions of Government (COFOG) splits
- Run Prime financial reports to ensure that they agree and reconcile to the financial statements
- If the cash flow statement is not deriving the correct closing cash balance, use the *REP153A - Non Cash Transactions Validations Report – Detailed Periodic (AASB 101)* to assist you to debug any misclassifications
- ‘Promote’ the file to Review Level 3
- Email a copy of your audited financial statements, Independent Auditor’s Report, Engagement Closing Report and Management Letter to agencyinfo@treasury.nsw.gov.au.

Note: You are still required to upload and “Promote” your audited Prime data back to Treasury even if there have been no changes between your preliminary and audited financial statements.

Appendix G: Commonwealth Funding Agreement – Revenue Assessment Form

Due date by: **20 July 2021**

Email: Crown_Entity@treasury.nsw.gov.au

AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) and AASB 15 *Revenue from Contracts with Customers* (AASB 15) came into effect for not-for-profit entities for the years beginning on or after 1 January 2019. Under these new Accounting Standards, revenue from Commonwealth funding with sufficiently specific performance obligations attached is no longer recognised on cash basis. Adjustments are required to recognise revenue from such funding in line with the recipient entity's progress of satisfying the relevant performance obligations.

When such funding is distributed to departments/Agencies through the appropriations process from the Consolidated Fund, the adjustments are posted in the financial statements of the Total State Sector instead of the funding recipient Agency. However, it is the responsibility of the funding recipient agency to:

- identify the Commonwealth funding with specific performance obligations with reference to the funding agreements
- assess the Commonwealth funding and determine if it should be accounted for and reported under AASB 15 or AASB 1058 from the State or General Government Sector perspective, and
- calculate related revenue adjustments arising from this funding based on the process of the sufficiently specific performance obligation, if applicable, being satisfied and update the year-to-date actuals for the projects delivered under these agreements in Prime at Early Close (P9) and Year-End (P12). Further disclosures for year-end must be reported in the Crown Data Return.

The **purpose of this Form** is to capture the assessment of all new Commonwealth funding agreements, including any amendments or extensions to the existing agreements onto the Commonwealth Funding Agreement Register maintained by Treasury administering for/on behalf of the Crown. This Form should be completed by the Agency who is responsible and accountable for the delivery and/or management of the projects under the agreement and submitted to Treasury in a timely manner. The assessment of the applicable revenue accounting standards should be done in consultation with the Agency's Accounting Policy team.

NSW Treasury has published Guidance on the application of AASB 15 and AASB 1058 to assist the Agencies when assessing the application of these standards. Further guidance for any complex or material funding agreements should be sought from NSW Treasury's Accounting Policy team, if not covered by the published guidance.

IMPORTANT: Please ensure all sections below are completed prior to submission to Crown_Entity@treasury.nsw.gov.au.

A. Agency Details

| | |
|---|--|
| Agency Name: | Select from the dropdown |
| Other (Agency Name): | If other, please specify. |
| Prepared by: | Enter the name of the person who completed the form. |
| Preparer's position title: | Enter preparer's position title. |
| Preparer's contact details: | Email address. Contact number. |
| Project Manager: | Enter project manager's name. |
| Project Manager's Contact Details: | Email address. Contact number. |

B. Commonwealth Funding Agreement Details

| | |
|--|--|
| Name of Agreement: | Enter agreement name. |
| Description: | Provide a brief description/output of the agreement. |
| Commencement date: | Enter the agreement commencement date. |
| Expiry date: | Enter the agreement expiry date. |
| Is this a new agreement? | Select from the dropdown |
| Is this an amendment to the original agreement? | Select from the dropdown |
| Details of the amendment (if applicable): | If this is an amendment to the original agreement, then enter details of the amendment (e.g. extension of project due date or milestone reporting dates, superseded by new agreement, etc.). |
| Type of funding: | Select from the dropdown |
| Other (Type of funding): | If other, specify. |
| Total funding amount (\$million): | Enter Commonwealth's total estimated financial contribution amount. |
| Funding received to (in Prime): | Enter the agency to which the funding is being received to in Prime. |
| Funding payment terms? | Provide details of the funding payment terms in the agreement, such as payment amounts by year, payment timing or conditions, etc. |
| State's obligations under the agreement (other than the reporting obligations): | Provide State's obligations under the agreement. |
| Project(s) delivered by: | Enter the name of the agency/agencies delivering the projects under the agreement. |
| Link to the agreement: | Insert link to the agreement or attach a copy of the agreement when submitting the completed form. |

C. Assessment of the Application of Relevant Revenue Accounting Standard (i.e. AASB 15 or AASB 1058)

| | |
|---|---|
| Is the agreement an enforceable contract?* | Select from the dropdown |
| Details of the enforceability criteria: | Provide details of the applicability of the enforceability criteria, for example: 'The funding agreement is a duly signed agreement that identifies the rights and obligations of both the Commonwealth and the State in relation to the delivery of the project outputs', etc. |
| Does the agreement contain performance obligations that are sufficiently specific? | Select from the dropdown |
| Details of the sufficiently specific performance obligations (SSPO): | Provide details of the applicability of the SSPO criteria, for example: 'The implementation plan to the agreement specifies the agreed project activities, key project deliverables, milestones, planned completion dates for each milestone and the payment criteria', etc. If SSPO criteria is not applicable, then state 'not applicable'. |
| Does the State retain the specified goods or services delivered under the agreement or are these transferred to the Commonwealth or another third party on behalf of Commonwealth? | Select from the dropdown |
| Details of the goods or services delivered under the agreement: | Provide details of the goods or services being delivered under the agreement, for example immunisation services provided to the public community, or for capital projects the building constructed is owned and retained by the State, etc. If there is no goods or services involved, then state 'not applicable'. |
| Applicable revenue standard: | Select from the dropdown |
| Assessment reviewed by: | Enter the name of the person who reviewed the assessment. |
| Assessment reviewer's position title: | Please enter preparer's position title. |
| Assessment reviewer's contact details: | Please enter email details. Please enter phone details. |

* National partnership agreements and national agreements for NPP and SPP are enforceable contracts from the perspective of AASB 15.

D. Revenue Adjustments

| | |
|--|---|
| Are revenue adjustments required for this agreement? | Select from the dropdown |
| Timing of revenue recognition: | Specify when the revenue from the Commonwealth funding agreement is recognized, i.e. at a point in time or over time. |
| The basis of recognition if revenue is recognized over time | E.g. based on cost incurred. |

E. Consultation

| | |
|---|--|
| Was the NSW Treasury's Accounting Policy & Complex Transactions Advisory team consulted on the assessment of the application of the relevant revenue accounting standard for this funding agreement? | Select from the dropdown |
| Person consulted: | Enter the details of the person consulted, including their position title and contact details. If not consulted, enter not applicable. |

IMPORTANT:

1. Agencies **must** update the year-to-date actuals for the projects delivered under the Commonwealth funding agreements in Prime at Early Close (P9) and Year-End (P12). Further disclosures for year-end **must** be provided via the Crown Data Return, including detailed workings in support of any adjustments provided.
2. Agencies **must** also update the forecast for the projects delivered under the Commonwealth funding agreement at half-year review and budget submission.

F. Resources

i. [Link to Accounting Revenue Standards](#)

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

ii. [Link to NSW Treasury's Accounting Policies and Guidance papers](#)

iii. **Contacts**

| Relevant NSW Treasury Finance team contacts | Link |
|---|--|
| Crown related matters | Crown_Entity@treasury.nsw.gov.au |
| NSW Treasury's Accounting Policy | AccPol@treasury.nsw.gov.au |

Appendix H: Certificate of Reconciliation with the Crown Ledger

Due date by: **20 July 2021**

Email: Crown_Entity@treasury.nsw.gov.au

| | |
|------------------------------------|--|
| Name: | |
| Position Title¹: | |
| Agency: | |
| Profit Centre: | |

I certify that the ledgers of this authority agree with the Crown ledgers² as at 30 June 2021.

| | |
|------------------------------|--|
| Signed: | |
| Date: | |
| Contact Telephone No: | |

1. The Certifying Officer **must** be a Senior Finance Officer within the agency.
2. The ledgers printout sent to agency by the Crown on 12 July 2021 **must** be attached to this Certificate as evidence that those balances have been agreed to the agency's own ledgers in respect to administered revenue remitted to the Consolidated Fund.
3. Accrual accounting should still be applied in agency's own ledgers.

Appendix I: Crown Data Return

Due date by: **20 July 2021**

Email to : Crown_Entity@treasury.nsw.gov.au

Note 1: The completion of a Crown Data Return is compulsory for all NSW Public Sector Agencies. **Nil returns are required.**

Note 2: If any amount shows changes subsequent to the provision of this return, the relevant page should be resubmitted (within one day following identification) with the amended figure highlighted.

The Crown Data Return has been prepared electronically in Excel. The Crown Data Return with corresponding instructions will be emailed to Agencies by 31 May 2021.

The preparation of the administered items note disclosure in NSW Treasury's financial statements, is based on information provided from other Agencies as well as its own ledgers. Specific information requested from Agencies is detailed below.

Crown Data Return contacts:

| Items | Contact name | Contact telephone |
|-------|------------------|-------------------|
| 1 | Stephen Atkinson | 9228 4435 |
| 2 | Vikki Wang | 9228 4203 |
| 3 | Charles Cheung | 9228 4604 |
| 4 & 5 | Mitra Karmakar | 9228 5839 |
| 6 | Stephen Atkinson | 9228 4435 |

1. Amounts owing by/to the Crown (show Crown liabilities in brackets)

1.1 Non-administered items

This information is required to ensure that the correct amounts owing to/by Agencies are recognised in the administered items note disclosure in NSW Treasury financial statements.

Examples of assets in an Agency's financial statements (Crown liabilities) include:

- a) LSL reimbursements owing by the Crown to an Agency to cover payments made to employees during the year, and

Examples of liabilities in an Agency's financial statements (Crown assets) include:

- a) LSL contributions (Agency Funded Crown LSL Pool)
- b) Transferred officers' LSL (Crown Funded LSL Agencies)
- c) Advances repayable to the State

2. Provision for redundancy payments

Treasury Circular NSW TC 12-01 *Funding for Redundancy Payments* details the requirements for obtaining reimbursement from the Crown for redundancy payments made by the Agency. The funding assistance is available to all GGS Agencies. Where there is justification, assistance may also be available to Agencies which receive significant operating subsidies or budget funded grants to deliver programs.

Agencies with funding approved but not yet paid as at 30 June need to advise Treasury Finance so that appropriate provisions can be made.

3. Liabilities assumed by the Crown (show Crown liabilities in brackets)

3.1 LSL and superannuation

The Crown has assumed the LSL liability for certain GGS Agencies and accounts for the LSL liabilities of members of the Agency Funded Crown LSL Pool. Accordingly, it is required to reflect all such unfunded liabilities in the administered items note disclosure in NSW Treasury's financial statements. Agencies should report the assumed LSL and on-costs liabilities in the Return.

Information regarding unfunded superannuation liabilities assumed by the Crown will be provided directly by the Trustee's actuary.

Note: GGS Agencies are to ensure that their expenses for superannuation and payroll tax on superannuation are fully accounted for in journals supplied to Treasury Finance as at 30 June 2021.

3.2 Certificate of Reconciliation of Agency's Provision for LSL

Certain GGS Agencies' LSL liabilities and the related defined benefit superannuation on-cost are assumed by the Crown.

AASB 119 Employee Benefits (AASB 119) encourages the involvement of a qualified actuary in the measurement of post-employment benefit obligations. To ensure actuarial methodology consistency and reduce whole of government costs, Treasury has appointed an actuary to determine a shorthand valuation approach to calculate Agencies' LSL expense. Agencies must ensure movements in the LSL liability for the year are accurately reflected in the Crown ledger by completing the appropriate section of this Return.

Based on the information provided, Treasury Finance will advise Agencies of the LSL liabilities assumed by the Crown. Refer to [Appendix J](#) and Treasury Circular NSW TC 21-03, *Accounting for Long Service Leave and Annual Leave*, or its replacement, for more information.

According to AASB 101, all unconditional LSL and related on-costs must be presented as **current liabilities** in the Statement of Financial Position.

Note 1: Some on-costs relating to LSL (e.g. payroll tax, worker's compensation insurance) are the responsibility of individual Agencies. As such, they are not to be recouped from the Crown and are not to be included in the reconciliation of LSL of this Return.

Note 2: Significant variations of 10% or more between the opening and closing balances of an Agency's provision for LSL must be accompanied by a written explanation.

3.3 Defined benefit superannuation on-costs on annual leave for GGS Agencies whose defined benefit superannuation is assumed by the Crown

Treasury Circular NSW TC 21-03 *Accounting for Long Service Leave and Annual Leave*, or its replacement, provides detailed instructions for the calculation of the defined benefit superannuation on-costs on annual leave.

Agencies should report the closing balance as at 30 June of the defined benefit superannuation on-costs on annual leave in the Crown Data Return. Where the defined benefit superannuation is assumed by the Crown, additional superannuation liability accrued on the annual leave liability is also assumed by the Crown and is recognised as an expense and revenue.

3.4 LSL on-costs on annual leave for Crown Funded LSL Pool Agencies

Treasury Circular NSW TC 21-03 *Accounting for Long Service Leave and Annual Leave*, or its replacement, provides detailed instructions for the calculation of the LSL on-cost on annual leave.

Agencies should report the closing balance as at 30 June of the LSL on-costs on annual leave in the Crown Data Return.

Where the LSL is assumed by the Crown, any additional LSL liability accruing on the annual leave liability is also assumed by the Crown and is recognised as an expense and revenue.

4. Advances repayable to the State

Public sector entities are required to furnish a return of Treasurer's advances repayable to the Crown. Advances include amounts of money advanced to Agencies to assist with working capital management and/or funding of natural disasters. Agencies that have received funds (via capital or recurrent allocations) that are used to provide loans to external parties and where the Agency will refund the money to the Crown are considered advances and should be included in the Advances repayable to the Crown return.

Agencies which have received funding for energy efficient equipment under the Treasury Loan Fund program are advised that the funding is an advance and is to be recorded appropriately.

5. Fair value of interest free and low interest advances and loans

Under AASB 9, interest free and low interest loans must initially be recognised at fair value (consistent with other financial instruments) and amortised cost thereafter. The fair value of a long-term loan or receivable that carries no interest or below market interest should be calculated as the present value of all future cash receipts, discounted using the prevailing market rate of interest at the time the advance was issued.

Any additional amount is generally an expense or revenue (generally classified as grant revenue or expense). Amortisation of the loan is recognised as investment revenue (or finance cost) using the effective interest rate method. Treasury Policy Paper TPP19-05 *Accounting Policy: Accounting for Financial Instruments* provides requirements and further information on this matter.

Agencies will need to agree with the Crown the fair value and nominal value of loans as at 30 June 2021. Agencies should contact Mitra Karmakar (9228 5839) to agree these values before submitting the Return.

6. Commonwealth funding with sufficiently specific performance obligations

AASB 1058 and AASB 15 are effective for not-for-profit entities for the years beginning on or after 1 January 2019. Under these new Accounting Standards, revenue from federal funding with sufficiently specific performance obligations attached is no longer recognised on cash basis. Adjustments are required to recognise revenue from such funding in line with the recipient entity's progress of satisfying the relevant performance obligations.

When such funding is recorded in a State Revenue Agency in Prime and distributed to departments/Agencies through the appropriations process, the adjustments are recorded in the administered items note disclosure in NSW Treasury's financial statements instead of the funding recipient Agency. However, it is the recipient Agency's responsibility to identify the Commonwealth funding with specific performance obligations with reference to the funding agreements. Agencies are required to calculate revenue adjustments arising from these funding from the State or General Government Sector perspective, and to report the adjustment in the Crown Data Return.

Agencies must provide detailed workings in support of the amounts provided in the Crown Data Return. The deferral revenue (current and non-current) as reported in the Crown Data Return should agree with the Prime submission in the relevant State Revenue Agency.

Appendix J: LSL Return: Category 1 - Crown Funded LSL Agencies and Category 2 - Agency Funded Crown LSL Pool Agencies

Due date by: **17 June 2021**

Email to: Crown_Entity@treasury.nsw.gov.au

In accordance with Circular TC 21-03 Accounting for Long Service Leave and Annual Leave, or its replacement, please complete the **Long Service Leave Return**. The Long service Leave (LSL) Return has been prepared electronically in excel. The LSL Return will be emailed to Agencies by 31 May 2021.

Appendix K: Agency Performance Adjustments (APA)

Agency Performance Adjustments replaced the former Hindsight adjustment process as part of the broader changes introduced by icare in 2020-21 to the way it calculates agencies contributions to the Treasury Managed Fund (TMF). The APA assessment differs from the former Hindsight process to better reflect agencies actual performance and is complemented by providing more timely performance information to agencies.

For financial year ended 30 June 2021 agencies are expected to accrue their APA this financial year. To assist in this process agencies will be provided with a preliminary estimate of their expected APA by icare. Invoices are expected to be issued by icare from July 2021.

Action

Ensure the following is recorded in your agencies Period 12 actuals:

- Will have a profit and loss impact in FY 2020-21
- Expect to see balance sheet receivable or payable in FY 2020-21 to reflect the accrual of the invoice required
- Expect to see no balance sheet receivable and payable in July 2021 (Period 1) onwards as invoices for refunds/payments are due to be issued by icare no later than July 2021

Prime Requirements

The journals required to reflect the APA will be dependent on whether your agency will be receiving a refund or required to make a payment.

Please use ICP Code **EB0404 - NSW Self Insurance Corporation**.

Payment

- Ensure any agency with a payment amount has recorded an expense for Period 12 Actual, and corresponding payable for Period 12 Actual only

| Adjustment Required | Prime Account | Current Prime Account Description | Proposed New Prime Account Description |
|---------------------|---------------|--|---|
| DR | AE209010913 | Contribution to Treasury Managed Fund for Hindsight Adjustment | Contribution to TMF for Annual Performance Adjustments |
| CR | AL712021007 | Current Liabilities - TMF Hindsight Contribution (Sicorp Only) | Current Liabilities - TMF Annual Performance Adjustments Contribution |

Refund

- Ensure any agency with a refund amount has recorded a revenue for Period 12 Actual, and prepayment for Period 12 Actual only.

| Adjustment Required | Prime Account | Current Prime Account Description | Proposed New Prime Account Description |
|---------------------|---------------|--|--|
| DR | AA607021007 | Current Prepayments - TMF Hindsight Reimbursement | Current Prepayments - TMF Annual Performance Adjustments Reimbursement |
| CR | AR107080185 | Other Revenue - TMF Hindsight Adjustments Reimbursed | Other Revenue - TMF Annual Performance Adjustments Reimbursed |

**Note the Prime accounts will be renamed to replace the TMF Hindsight conventions with APA, the Prime account numbers will remain unchanged.*

Appendix L: Frequently Asked Questions (FAQs)

Q *How can I check the Prime data return before promoting it to Treasury?*

A The Agency Toolkit is an Excel base tool built to assist agencies in analysing their Prime data submissions before being promoted to Treasury. The Agency Toolkit will assist with ICP mismatches, Non-Cash movements, Inactive ICP & Account checks and other checks. The Agency Toolkit is available on the Prime Knowledge Base [KB0011451](#). For support, please contact TSSA@treasury.nsw.gov.au.

Q *Where/how does the CEO/CFO sign the Supplementary Return and Checklist?*

A The CEO/CFO do not physically 'sign' the spreadsheets. However, the preparer is **required** to complete a question on Management Representations on behalf of your Agency. The representations for 2020-21 state that the CFO has attested to the accuracy of the financial statements, Prime data and the Supplementary Return. You need to organise that the CFO or an authorised representative is available to authorise the information, so that your organisation can meet its timetable obligations for Treasury.

Q *How can I view all available Prime accounts?*

A The Data Dictionary is available on the Prime Knowledge Base [KB0011153](#). Email Treasury on agencyinfo@treasury.nsw.gov.au or the applicable contact listed above for specific queries.

The Prime Chart of Accounts is also available on the Knowledge base under [KB0010495](#) Prime reference manual (including mapping information).

Q *I have corrections > \$5 million to the Prime or Supplementary Return package that I previously forwarded to Treasury.*

A Complete the enclosed form *Revisions to 2020-21 Prime Data* at [Appendix B](#) and email it to agencyinfo@treasury.nsw.gov.au immediately.

Q *The available Prime account has an inappropriate counterparty?*

A Email Treasury on agencyinfo@treasury.nsw.gov.au or the applicable contact listed above.

Q *Prime does not reflect my 2019-20 comparative AGAAP reports. (e.g. I need to reclassify employee liabilities from Non-current to Current.) What should I do?*

A Email Treasury on agencyinfo@treasury.nsw.gov.au or the applicable contact listed above.

Q *Do we need to calculate the Liability for Lapsed Appropriations Drawn Down?*

A No. Agencies are no longer required to recognise a liability. Refer to Section 2.c.xv above.

Appendix M(i): Financial Statement Variance Analysis

Due date by: 13 August 2021

Email: agencyinfo@treasury.nsw.gov.au

The variance analysis template that is to be completed for your Agency financial statements will be made available on the Prime Knowledge Base (in the year-end reporting section) by 1 June 2021.

All Agencies must complete detailed variance analysis for the year to 30 June 2021, for any variances greater than the lower of 10% or \$50 million. The variance analysis should include:

- Comparison of your Agencies actual 2020-21 financial performance and financial position to the 2019-20 financial performance and financial position
- Comparison of your Agencies actual 2020-21 financial performance and financial position to the original budgeted 2020-21 financial performance and financial position where AASB 1055 applies to your Agency

For Principal Cluster Agencies and high risk entities, [Appendix M\(i\)](#) is at a more granular level this year to streamline the process by Agencies providing variance commentary earlier in the process and to avoid further follow up from Treasury.

Further information and contacts

For further Information or clarification on issues raised in the discussion paper, please contact:

Total State Financial Reporting, NSW Treasury

Email: agencyinfo@treasury.nsw.gov.au