

## Mandatory Early Close as at 31 March each year

### Summary:

This Direction makes provisions with respect to procedures to be followed by agencies as at 31 March each year to facilitate early identification and resolution of accounting issues and ensure the timely completion and quality of government sector reporting.

The Mandatory Early Close for Agencies will be conducted as at 31 March each year.

This Direction applies to those entities listed in Appendix A, that are GSF agencies and to the accountable authorities for those agencies.

This Direction withdraws and supersedes all previous NSW Treasury Circulars on Mandatory Early Close procedures.

**Commencement:** This Direction takes effect on 7 April 2022.

### Application:

This Direction applies to those entities listed in Appendix A that are GSF agencies and to the accountable authorities for those agencies.

### Purpose / objectives:

The objectives of this Direction are as follows:

1. to identify the principles, practices, arrangements and procedures to be applied or followed by Agencies and accountable authorities for Agencies to enable Consolidated government sector reporting to be prepared in accordance with *Division 7.4 of the GSF Act*;
2. to enhance the efficiency of the financial reporting process and promote early identification and resolution of accounting issues; and
3. to facilitate timely completion and improve the quality of government sector reporting.

### Interpretation:

In these Directions:

**accountable authority** — has the same meaning as in *section 2.7 of the GSF Act*.

**Agency** — means a GSF agency listed in Appendix A, as amended from time to time.

**assets** — has the same meaning as in *section 1.4 of the GSF Act*.

**Auditor-General** — means the Auditor-General referred to in *section 27B of the Government Sector Audit Act 1983*.

**Early Close Procedures** — means the procedures set out in clause 2 of this Direction and required to be performed as at 31 March each year to facilitate timely completion and reliability of Consolidated State Financial Statements.

**Early Close Procedure Checklist** — means the checklist in the Treasury Policy and Guidelines to be signed off by the accountable authority for an Agency.

**Emerging Accounting Issues Report** – means a report referred to in clause 4 of this Direction.

**Financial Statements** – means the annual GSF financial statements for an Agency referred to in *section 7.6 of the GSF Act*.

**General Government Sector** – means New South Wales agencies or activities listed or described as part of the General Government Sector by the Australian Bureau of Statistics referred to in *section 1.4 of the GSF Act*.

**GSF Act** – means the *Government Sector Finance Act 2018*.

**GSF agency** – has the same meaning as in *section 2.4 of the GSF Act*.

**Prime System** – means the NSW Government platform used by Agencies to submit data for budget, performance monitoring and annual financial reporting.

**Prime Data Submission** – means the Agency's trial balance and other financial information required to be uploaded into the Prime System.

**Principal Cluster Agency** – means a Department of the Public Service listed in *Part 1 of Schedule 1 of the Government Sector Employment Act 2013*.

**property** – has the same meaning as in *section 1.4 of the GSF Act*.

**Treasury Policy and Guidelines** – means the annual NSW Treasury publication related to this Treasurer's Direction specifying dates, templates and other relevant information relevant to compliance with this Direction.

## Direction

1. This Direction applies, adopts and incorporates the Treasury Policy and Guidelines, without modification, as in force from time to time.
2. **Early Close Procedures** – All accountable authorities for Agencies must carry out the following procedures in relation to each financial year and submit the following information to NSW Treasury by the date, and in the manner and form, specified in the Treasury Policy and Guidelines.
  - A. Complete and return the Prime Data Submissions, pro forma Financial Statements as at 31 March, Early Close Procedure Checklist, and Emerging Accounting Issues Report.
  - B. Develop a detailed plan with key stakeholders to allow for submission of information referred to in clause 2.A above.
  - C. Prepare a set of pro forma Financial Statements.
  - D. Perform the following:
    - i. **Complete (as required) revaluations of material property, plant and equipment.**

These must be completed as part of the Early Close Procedures, and revaluations recorded in general ledgers. 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.**
    - 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 for Early Close.**

The accountable authority for an Agency providing the service should take the lead in agreeing each transaction and balance. Agencies must support counterparts seeking to verify their counterparty balances.

v. **Document significant management judgements and assumptions made when estimating transactions and balances.**

The accountable authority for an Agency must collect and retain appropriate documents to support significant judgements, any assumptions made when estimating transactions and balances, and record the processes used to arrive at those assumptions. For more complex accounting issues, documentation must summarise the issue, set out management's evaluation and conclusion. Materiality must drive the decision about what to document.

vi. **Prepare key account reconciliations.**

The accountable authority for an Agency must carry out account reconciliations in support of the balance sheet throughout the year. Key account balances must be reconciled monthly.

vii. **Reconcile the March month-end Prime Data Submission to the pro forma 31 March financial statements.**

The accountable authority for an Agency must provide explanations for variances exceeding \$5 million.

viii. **Review and agree changes in accounting policy with the Principal Cluster Agency.**

The accountable authority for an Agency must communicate changes in accounting policy to the Accounting Policy Team in NSW Treasury before 27 April each year.

ix. **Prepare notes to Financial Statements.**

The accountable authority for an Agency must prepare note disclosures, to the extent applicable to the Agency, including prior year comparative information and all narrative disclosures. The accountable authority for an Agency must prepare and make available to the Auditor-General, on request, monthly account reconciliations in support of key balances as part of the working papers to support the notes to Financial Statements.

x. **Any other requirements specified in the Treasury Policy and Guidelines.**

### **3. Audit Planning**

- A. The accountable authority for an Agency must communicate with the Auditor-General through the Emerging Accounting Issues Report all significant issues that can potentially impact their Financial Statements.
- B. The accountable authority for an Agency must confirm with the Auditor-General the format and timing of position papers on the issues in clause 3.A prior to completing Early Close Procedures.
- C. The accountable authority for an Agency must consult with the Auditor-General on the impact of new accounting standards, including any specific disclosure requirements affecting the Financial Statements.
- D. The accountable authority for an Agency must consult, engage and request that the Auditor-General's audit engagement letter document the audit procedures to be completed and when the audit procedures are to be carried out.

- E. The accountable authority for an Agency must provide a copy of the Auditor-General's letter concerning observations on Early Close Procedures to NSW Treasury by the date that is outlined in the Treasury Policy and Guidelines.

#### **4. Emerging Accounting Issues Report**

The accountable authority for an Agency must submit an Emerging Accounting Issues Report specifying any significant issue, which has the potential to impact the Consolidated State Financial Statements, to NSW Treasury by the date to be specified in the Treasury Policy Paper. The accountable authority for an Agency must communicate these emerging issues to their respective Audit and Risk Committee. An Emerging Accounting Issues Report must include the following:

- A. Preliminary Return – to identify issues and address the potential impact on the year-end projection and forward estimates.
- B. Final Return – to update potential impacts to the year-end, including issues identified by the Auditor-General as part of the Early Close Procedures and the resolution of issues identified in (A) above.

#### **5. Exemptions and Extensions**

- A. The Secretary of the Treasury, or a person nominated by the Secretary may, on his or her own initiative, or in response to a written request from an accountable authority for an Agency, grant an exemption from, or extension in relation to, one or more of the requirements of this Direction.
- B. The accountable authority for an Agency may request an exemption from, or extension in relation to, one or more of the requirements of this Direction by writing to the Secretary of the Treasury.
- C. The accountable authority for an Agency must consult with the Auditor-General prior to seeking an exemption or extension under this clause.
- D. A request for an exemption or extension under this clause must identify:
  - i. the requirement or requirements that the accountable authority for an Agency is seeking exemption from, or an extension in relation to,
  - ii. reasons why the accountable authority for an Agency cannot comply with the requirement or requirements, and
  - iii. the outcome of consultation with the Auditor-General.

<p>This Direction must be read in conjunction with the Treasury Policy and Guidelines which contains specific dates and templates that must be used.</p>
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**This Direction replaces:**

This Direction withdraws and supersedes all previous Treasurer's Directions on Mandatory Early Close procedures.

**This is a Direction made under section 3.1 of the *Government Sector Finance Act 2018 (NSW)*.**

**End date or review date for this Direction:** This Direction is to be reviewed in December 2024.

**(Legislative) References:**

Section 3.1 *Government Sector Finance Act 2018 (NSW)*

**Matt Kean MP**

**Treasurer**

**NSW Treasury website:** [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)

## APPENDIX A

Aboriginal Housing Office  
Agricultural Scientific Collections Trust  
Alpha Distribution Ministerial Holding Corporation  
Art Gallery of New South Wales  
Audit Office of New South Wales  
Australian Museum  
Biodiversity Conservation Trust of NSW  
Building Insurers' Guarantee Corporation  
Centennial Park and Moore Park Trust  
Crown Solicitor's Office  
Department of Communities and Justice  
Department of Customer Service  
Department of Education  
Department of Planning and Environment  
Department of Premier and Cabinet  
Department of Regional NSW  
Department of Transport  
Destination NSW  
Energy Corporation of New South Wales  
Electricity Assets Ministerial Holding Corporation  
Electricity Retained Interest Corporation - Ausgrid  
Electricity Retained Interest Corporation - Endeavour Energy  
Electricity Transmission Ministerial Holding Corporation  
Environment Protection Authority  
Environmental Trust  
Epsilon Distribution Ministerial Holding Corporation  
Essential Energy  
Fire and Rescue NSW  
First Australian Mortgage Acceptance Corporation (FANMAC)  
Trusts  
Forestry Corporation of New South Wales  
Greater Sydney Commission  
Health Care Complaints Commission  
Historic Houses Trust of New South Wales  
Hunter and Central Coast Development Corporation  
Hunter Water Corporation  
Independent Commission Against Corruption  
Independent Liquor and Gaming Authority  
Independent Pricing and Regulatory Tribunal  
Information and Privacy Commission  
Infrastructure NSW  
Investment NSW  
Insurance and Care NSW  
Judicial Commission of New South Wales  
Landcom  
Lands Administration Ministerial Corporation  
Law Enforcement Conduct Commission

Legal Aid Commission of New South Wales  
Liability Management Ministerial Corporation  
Library Council of NSW  
Lifetime Care and Support Authority of New South Wales  
Local Land Services  
Long Service Corporation  
Luna Park Reserve Trust  
Mental Health Commission of New South Wales  
Ministry of Health  
Multicultural NSW  
Museum of Applied Arts and Sciences  
National Parks and Wildlife Conservation Trust of New South  
Wales  
Natural Resources Commission  
New South Wales Crime Commission  
New South Wales Electoral Commission  
New South Wales Government Telecommunications Authority  
New South Wales Land and Housing Corporation  
New South Wales Rural Assistance Authority  
New South Wales Treasury Corporation  
Newcastle Port Corporation  
NSW Education Standards Authority  
NSW Food Authority  
NSW Police Force  
NSW Self Insurance Corporation  
NSW Trains  
NSW Trustee and Guardian  
Office of Sport  
Office of Independent Review Officer  
Office of the Children's Guardian  
Office of the Director of Public Prosecutions  
Office of the NSW Rural Fire Service  
Office of the NSW State Emergency Service  
Office of Transport Safety Investigations  
Ombudsman's Office  
Parliamentary Counsel's Office  
Place Management NSW  
Planning Ministerial Corporation  
Ports Assets Ministerial Holding Corporation  
Property NSW  
Public Service Commission  
Regional Growth NSW Development Corporation  
Rental Bond Board  
Resilience NSW  
Royal Botanic Gardens and Domain Trust  
Service NSW  
State Archives and Records Authority of New South Wales  
State Insurance Regulatory Authority  
State Sporting Venues Authority

State Transit Authority of New South Wales  
Sydney Ferries  
Sydney Metro  
Sydney Olympic Park Authority  
Sydney Opera House Trust  
Sydney Trains  
Sydney Water Corporation  
TAFE Commission  
Teacher Housing Authority of New South Wales  
The Treasury  
Transport Asset Holding Entity of New South Wales  
Transport for NSW  
Venues NSW  
Waste Assets Management Corporation  
Water Administration Ministerial Corporation  
Water NSW  
Western Parkland City Authority  
Western Sydney Parklands Trust  
Workers' Compensation (Dust Diseases) Authority  
Zoological Parks Board of New South Wales