NSW GOVERNMENT | Treasury

February 2021

TPP21-01

Policy and Guidelines Paper

Agency Direction for the 2020-21 Mandatory Early Close

NSW GOVERNMENT

Preface

Early Close Procedures have been introduced to both facilitate earlier completion and improve the quality of year-end financial statements. Agency and Audit Office feedback indicates Early Close Procedures have assisted in ensuring a smoother year-end process and more effective resolution of issues. The focus going forward will remain on early identification of emerging issues and reducing misstatements and the underlying causes.

This Policy Paper:

- should be read in conjunction with the Treasurer's Direction TD19-02 on Mandatory Early Close as at 31 March each year, as amended from time to time
- provides additional directions to Agencies relating to Early Close Procedures
- defines the minimum requirement for the Early Close Procedures
- describes a number of procedures to confirm that key controls over Agency balances are carried out and that there is early dialogue with the Audit Office on significant issues.

This Policy Paper supersedes the previous version, issued as NSW Treasury Policy and Guidelines Paper TPP19-08 Agency Direction for the 2019-20 Mandatory Early Close.

The references provided are correct at the time of publishing this document, however, some Treasury Circulars may be superseded before financial year end.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 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 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
NSW Treasury

February 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 'Early Close' 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
Hugh Wilson	9228 3167
Jane Gu	9228 4450
Mathew Do	9228 3322
Natalie Seal	9228 5744
Phoebe Pollack	9506 1043
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

Treasury's Return Address

Remember to “Promote” the Prime data back to Treasury 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 ‘Early Close 2020-21’ in the subject title when emailing to Treasury.

Crown 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
Liability to the Consolidated Fund	
Agency Treasury Analyst	Various
Natalie Seal	9228 5744
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

Resources/Links

Treasury Resources

NSW Treasury Policy Papers, Treasury Circulars, Treasury Analysis of Australian Accounting Standards, and other Treasury publications
https://www.treasury.nsw.gov.au/documents-resources/documents-library

External Resources

Public Finance and Audit Act 1983
https://www.legislation.nsw.gov.au/#/view/act/1983/152

Government Sector Employment Act 2013
https://www.legislation.nsw.gov.au/view/whole/html/inforce/current/act-2013-040

Government Sector Finance Act 2018
https://www.treasury.nsw.gov.au/budget-financial-management/reform/government-sector-finance-act-2018-0

CPA Australia
https://www.cpaaustralia.com.au/professional-resources/reporting

Contents

Early Close Direction

1. Direction and Treasury Policy Paper

The Treasurer's Direction TD19-02 on Mandatory Early Close as at 31 March each year applies, adopts and incorporates this Treasury Policy Paper (TPP), including the defined terms which also apply to this TPP.

TD 19-02 and this TPP define the *minimum* requirements for the Early Close Procedures. Agencies may wish to perform additional procedures as part of a strategy to improve the quality and timeliness of financial reporting. This includes the completion of hard close procedures, which Treasury supports and encourages.

TD 19-02 and this TPP also describe a number of procedures to confirm that key controls over Agency balances are carried out and that there is early dialogue with Treasury and the Audit Office on significant issues. These procedures form good practice that should in any case be carried out at appropriate points in the financial year.

2. Early Close Procedures

A. The mandatory Early Close will be conducted for all entities listed in Appendix A (that are GSF Agencies) of the Treasurer's Direction on Mandatory Early Close as at 31 March year, as amended from time to time. The Early Close will be conducted as at 31 March 2021.

The intention of these procedures is to facilitate the earlier preparation of Agency financial statements and the State's Consolidated Financial Statements, as well as improve quality and minimise the risk of audit qualifications or errors in financial statements submitted to Treasury and the Audit Office. A second circular will be issued before 30 June 2021 outlining the year-end reporting requirements. A preliminary year-end timetable is set out in Appendix F.

Agencies need to develop a detailed plan with key stakeholders, including the Audit Office, to achieve these deadlines. Plans should allow sufficient time for management review and involvement of Audit and Risk Committees as applicable.

Agencies are required to submit the following returns by no later than the specified dates, including financial transactions and activities administered by the Agency on behalf of Treasury (formerly Crown) (i.e. State Revenue Agencies):

Early Close Procedure	2021 date	Submission
Preliminary Return on Emerging Accounting Issues (Appendix D)	Friday 26 February	Treasury: Agencyinfo@treasury.nsw.gov.au
Initial returns on the impact of new accounting standard AASB 1059 and withdrawal of TPP 06-8 (refer to section 2.D.xviii).	Friday 26 February	Treasury: Agencyinfo@treasury.nsw.gov.au and Audit Office
Period 9 Prime return – General Government Entities	Wednesday 14 April	Prime
Period 9 Prime return – Public Non-Financial Corporations and Public Financial Corporations including State Owned Corporations	Friday 16 April	Prime
Commonwealth Funding Agreement – Revenue Assessment (Appendix G)	Monday 26 April	Treasury: Crown_Entity@treasury.nsw.gov.au
AASB 1059 Prime Submissions and Other Returns (refer to Appendix A for details): • Final Journals for AASB 1059 and withdrawal of TPP 06-8 • Final asset valuations • Excel Supplementary Returns for AASB 1059 and withdrawal of TPP 06-8	Monday 26 April	Treasury: AccPol@treasury.nsw.gov.au and Audit Office
Financial Statements as at 31 March 2021 and accompanying notes	Monday 26 April	Treasury: Agencyinfo@treasury.nsw.gov.au and Audit Office
Early Close Procedure Checklist (Appendix C)	Monday 26 April	Treasury: Agencyinfo@treasury.nsw.gov.au and Audit Office
Reconciliation between Period 9 Prime Data Submission and Agency Financial Statements (through Schedule 5 of the Supplementary Return in Prime)	Monday 26 April	Prime
Second Preliminary Return on Emerging Accounting Issues (Appendix D)	Monday 26 April	Treasury: Agencyinfo@treasury.nsw.gov.au
External valuation reports – made available to Audit Office	Friday 30 April	Audit Office
Audit office feedback on Early Close audit via submission of Audit Office Report: Observations of Early Close Procedures and interim Management Letter	Monday 7 June	Treasury: Agencyinfo@treasury.nsw.gov.au
Final Return on Emerging Accounting Issues (Appendix D)	Monday 21 June	Treasury: Agencyinfo@treasury.nsw.gov.au

Nil returns must still be submitted and will be accepted prior to the deadline

To facilitate Agencies with Early Close Procedures and the preparation of Early Close financial statements, Treasury has issued the Financial Reporting Code and Mandates of Options in December 2020.

The following additional guidance/updates to current policies are also going to be released by March:

- deemed appropriations and any consequential implications on the liability for lapsed appropriations drawn down
- the classification of service concession assets in Property Plant and Equipment
- potential impacts from the revision of TPP 09-03 Contributions by Owners made to wholly-owned Public Sector Entities, and
- potential implications from changes in the reporting arrangements for the Crown Entity (due March).

B. Develop a detailed plan with key stakeholders (including the Audit Office referred to in section 3 below) to allow for the submission of the items listed above.

C. These "Early Close Procedures" require the preparation of a set of pro forma financial statements, including notes to the financial statements referred to in section 2.D.ix below. Refer to the Financial Reporting Code and new accounting standard impacts in section 2.D.xviii below.

D. Treasury mandates all Early Close Procedures to be conducted as at 31 March. The purpose of these Early Close procedures is to ensure the integrity of the year to date position and highlight issues to be resolved before the end of the financial year. In preparing pro forma statements Agencies ***must:***

i. **Complete revaluations of property, plant and equipment**. Preparation of non-financial asset valuations, revaluations recorded in general ledgers, and preparation of associated disclosures. Treasury has issued separate guidance on the process for valuing non-current physical assets in TC18-17 *FY18-19 Timetable for Agency Asset Valuations*. However, valuations should be ready for the early close audit, including management review. Refer to Appendix B of this TPP for additional guidance.

ii. **Document the fair value assessment of property, plant and equipment.** Follow the guidelines in Appendix B to ensure all final valuations (methodologies, assumptions and external valuations) are provided to the Audit Office for their review.

iii. **Update employee annual leave provisions**. Reconciliation and calculation of annual leave provisions must be completed and provided to the Audit Office. 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**. The Agency providing the service should take the lead in agreeing each transaction and balance. Agencies must support counterparts seeking to verify their counterparty balances. Agencies must:

- put in place processes for the agreement of inter and intra (cluster) Agency transactions and balances
- ensure they have supporting work papers to evidence how the Agency has broken down inter and intra (cluster) Agency assets, liabilities, revenues and expenses, and
- make the supporting work papers available to Treasury and the Audit Office for review as part of Early Close.

v. **Document all significant management judgements and assumptions made when estimating transactions and balances, including one-off transactions and provide to the Audit Office, together with all relevant supporting documentation**. Where transactions and balances involve significant management judgements and assumptions, Agencies must document 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 a multiple assumptions and/or involve estimation uncertainty (e.g. the estimates are highly sensitives 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
- made available for review and assessment by Treasury and the Audit Office as part of Early Close.

Materiality must drive the decision about the extent of documentation. Management's determination of materiality should be agreed with your Audit Office.

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
- 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 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 key account reconciliations**. Agencies must identify accounts that are significant to the financial statements and:

- reconcile these 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
- submit these to the Audit Office as part of the Early Close process.

vii. **Reconcile the March 2021 month-end Prime submission to the pro forma financial statements**. Agencies must provide explanations for variances exceeding $5 million. The reconciliation should be captured via Schedule 5 of the Supplementary Return in Prime. Detailed instructions can be found on the Prime Knowledge Base (see KB0011403).

viii. **Review and agree changes in accounting policy with the Principal Cluster Agency. Notify and provide all documentation to your Audit Office 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. This must then be submitted to the NSW Treasury Accounting Policy (AccPol@treasury.nsw.gov.au) by 26 February 2021. 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. **Provide the following information in relation to the notes to the Financial Statements**. In preparing Agency pro forma 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 section 2.D.xviii below) 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 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.
- insurance, superannuation, and other employee liabilities calculations using up-to-date assumptions and inputs, with the exception of discount rates. Under accounting standards, insurance, superannuation and other employee liabilities, that are estimated using actuarial techniques; require a 30 June liability discount rate. Agencies should use amounts accrued year-to-date in the early close financial statements. These are required to be updated as part of the year-end procedures at 30 June. All other assumptions and inputs should be documented and provided to the Audit Office at Early Close.
- any other narrative disclosures.

In preparing pro forma financial statements Agencies **do not** have to:

- **Update financial instruments**. TCorpIM Funds distribution statements and other financial instrument information for disclosures, which is not available until after year-end.
- **Calculate the liability for Unspent Appropriations Drawn Down**. This must be calculated as at 30 June, but there is no requirement to calculate this as part of the Early Close Procedures. Additional guidance will be issued by Accounting Policy.

x. **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 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.

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).

xi. **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.

xii. **Provide details of any correction of material prior period errors.** 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. Refer to section 2.D.xviii below for further guidance on AASB 1059 and the withdrawal of TPP 06-8.

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 to enable review of the pro forma financial statements as part of Early Close. 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.

xiii. **Perform variance analysis with meaningful explanations**, for actuals versus budget, and year-to-date actuals to the previous year and:

- document management's review and endorsement of the monthly reports, and
- consider public reporting of quarterly or half-yearly reports.

xiv. **Document the accounting treatment for Restructures and Discontinued/Abolished Agencies**. The accounting treatment for changes to Agency structures resulting from legislative or other changes, should be documented and available for review by Treasury and the Audit Office at Early Close.

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, Early Close financial statements should reflect all necessary disclosures that are required due to restructures.

Agencies should refer to TPP 09-3 *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.

xv. **Obtain evidence of authorities / approvals for transactions within Delegation authorities.** 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).

xvi. **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 ledgers, financial statements and note disclosures to reflect the solutions/approach
- retrospectively restate comparative information where applicable, to reflect new treatments and advise Treasury accordingly, and
- engage with auditors, Treasury and other stakeholders as required.

xvii. **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 **Monday, 26 April 2021**.

xviii. **Provide 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, TPP 06-8 will be withdrawn effective from 1 July 2020.

Please refer to Appendix A for further details of the below requirements.

Agencies must submit:

- initial returns on the impact of new accounting standard AASB 1059 and withdrawal of TPP 06-8, no later than 26 February 2021
- updated pro forma financial statements and accompanying notes by 26 April 2021
- journals to reflect updates to the 2019-20 Prime Financial Year data (comparative year) by 26 April 2021
- impacts in the Prime 2020-21 Financial year returns, and
- Excel supplementary returns by 26 April 2021.

3. Audit Planning

A. Agencies should hold a formal planning meeting with the Audit Office to ensure the plan is available by the end of February 2021.

Treasury understands the Audit Office plans to conduct formal audit procedures at Early Close where this will enhance the efficiency of the audit process. Therefore, it is important all significant balances are reconciled and supporting documentation is made available.

Agencies should discuss with their audit teams what audit procedures are planned at Early Close, as well as ensuring the relevant financial statement areas are finalised and reconciled. Supporting documentation for these areas should be available for audit at Early Close. It is expected Early Close audit procedures will be set out in the Audit Office Engagement Plans.

The Audit Office may determine that limited or no audit procedures are appropriate at Early Close for some smaller Agencies.

Agencies should proactively ensure that any material findings or concerns raised by the Audit Office as part of Early Close are acted on in a timely manner, to allow corrective actions to be implemented and resolved before year-end.

Agencies should immediately notify the Audit Office when matters arise that will be recorded in their Emerging Issues Report and should agree with their audit teams the timetable and process to resolve each issue. This includes providing the Audit Office with accounting position papers.

B. At the audit planning stage, Agencies should agree with the Audit Office, those matters that require accounting position papers, as well as the format and timing of provision to the Audit Office. Agencies should discuss with Treasury Accounting Policy where the relevant matter is likely to be contentious, highly judgemental, or systemic. Agencies must confirm with the Audit Office the format and timing of position papers on the issues in section 3.A above prior to completing Early Close Procedures.

C. Agencies should complete their assessments of new accounting standards before the completion of Early Close Procedures. Position papers, general ledger journals, and pro forma disclosures (detailed in section 2.D.xviii above) must be finalised and provided to the Audit Office by the 26 February 2021. This will allow the Audit Office sufficient time to complete audit procedures as part of Early Close.

General ledger balances and disclosures in respect of the impact of AASB 1059 and withdrawal of TPP 06-8 should be provided to the Audit Office to allow sufficient time for the Audit Office to perform relevant audit procedures as part of Early Close. This should include:

- proforma financial statements disclosures for initial application of AASB 1059
- proforma financial statements disclosures for removal of TPP 06-8
- proforma financial statements disclosures for all ongoing service concession arrangements
- general ledger journals and supporting calculations for opening balances at 1 July 2019, and
- general ledger journals and supporting calculations for the restatement of comparatives and any prior period errors.

Agencies should agree with the Audit Office the timetable, including the provision of the pro forma financial statements and supporting documentation, the timing and the scope of the review by auditors and the consequential impact on the timing and scope of the auditor’s work at year-end. Management should meet with their audit teams at the completion of Early Close audit procedures to identify matters that require resolution at final audit. Potential significant matters should be reported to Treasury through Emerging Issues Reports at the earliest opportunity.

D. To maximise the effectiveness of Early Close Procedures, Agencies should consult with the Audit Office, at the audit planning stage, to agree precisely what audit procedures their audit team is planning to perform at Early Close and the relevant account areas.

Where the Audit Office plans to perform audit procedures at Early Close, Agencies should at a minimum, provide their audit teams with:

- reconciliations of all related general ledger accounts
- supporting documentation for audit (agreed with the Audit Office at the audit planning stage)
- key assumptions used to calculate material provisions and documentary support for those assumptions and
- key management judgements and documentary support for those judgements.

For example, final valuations for non-financial assets should be finalised - including assessments of methodologies, assumptions, judgements and other key inputs – with external valuations reviewed by management.

E. Agencies must report on their Early Close audits to NSW Treasury by 7 June 2021. Where available, this should be a copy of the Observations of Early Close Procedures and the interim Management Letter.

4. Emerging Issues Reporting

Reporting of emerging issues is a key control for Agencies and Treasury to reduce the risk of errors. It is important Agencies report all potential significant issues to the NSW Treasury Accounting Policy Team as they arise, not at the point where the Agency is unable to resolve the issue with their audit team. This will allow the NSW Treasury Accounting Policy Team to work with Agencies to support the accounting position, where necessary, prior to submission to the Audit Office. Agencies should agree on a plan to resolve emerging issues with their audit team as soon as possible after an emerging issue is identified. Agencies must communicate these emerging issues to their respective Audit and Risk Committee (ARC) in a timely manner.

Treasury maintains a register of potential issues as part of the Consolidated State Financial Statements year-end process. Emerging issues reported by Agencies will be included on the register where significant to the Consolidated State Financial Statements. In these instances, Treasury will contact Agencies, and agree a plan to resolve the issue, including achievable timelines.

Emerging Issues Reporting is required at three points before year-end as follows:

A. 26 February 2021 - to gain early sight of issues and potential impact on the year-end projection and forward estimates.
B. 26 April 2021 - to accompany the Early Close procedures, including an update on resolution of issues identified in February.
C. 21 June 2021 - to update potential impacts to the year-end, including issues identified by the Audit Office as part of the Early Close procedures and the resolution of previously identified issues.

For 2020-21, Treasury will track the number of emerging issues by cluster and **regularly report to the Finance Leadership Committee** of principal department CFOs, via their regular Dashboard. The purpose of monitoring will be to:

- track progress on resolution of identified emerging issues from planning to Early Close to audit completion, and
- identify when in the year-end process emerging issues are identified to provide a measure of how early or late emerging issues are raised.

Emerging issues should include all issues that **have the potential to materially affect** either the year-end financial statements or the Agency year-end process. See Appendix D for details.

5. Exemption and Extensions

Refer to Treasurer's Direction TD19-02 on Mandatory Early Close as at 31 March each year.

This page is left blank intentionally

TPP21-01 – Agency Direction for the 2020-21 Mandatory Early Close

Directory of Appendices

Appendix A: 2021 Additional requirements for AASB 1059 and withdrawal of TPP 06-8

A. Agencies must submit initial returns on the impact of new accounting standard AASB 1059 and withdrawal of TPP 06-8 to Accounting Policy via AccPol@treasury.nsw.gov.au and the Audit Office by no later than **26 February 2021**. The initial returns must include the following:

No.	Arrangement Type	Return Requirement

1.	For arrangement(s) that are within the scope of AASB 1059	• Finalised position papers explaining:
		  ○ why the arrangement is in scope of AASB 1059
		  ○ how the arrangement will be accounted for under AASB 1059
		  ○ management's other significant judgements made about the arrangements including:
		    ▪ determining the asset and service components of the arrangement
		    ▪ whether the arrangement is a financial liability, GORTO or hybrid model service concession arrangement
		    ▪ assumptions made when determining the fair value of the service concession asset, value of any financial liability and value of any GORTO liability
		    ▪ determining the pattern of revenue recognition under the GORTO model.
		• Indicative transition journals for each arrangement, applying the modified retrospective approach, at the financial statement line item level
		• The fair value of the service concession asset:
		  ○ as at 1 July 2019 if the arrangement was in place at that date
		  ○ as at the inception of the arrangement if the arrangement came into force after 1 July 2019.
		• A summary of which financial statements and note disclosures are going to be impacted by AASB 1059 and how they will be impacted.

2.	For arrangement(s) that are not within the scope of AASB 1059 and were previously accounted for under TPP 06-8	• Finalised position papers explaining:
		  ○ why the arrangement is out of scope of AASB 1059
		  ○ how you will be accounting for the arrangement under applicable accounting standards
		  ○ management's other significant judgements made about the arrangements.
		• Indicative transition journals applying the full retrospective method as required by AASB 108, at the financial statement line item level
		• A summary of what financial statements and note disclosures are going to be impacted by the withdrawal of TPP 06-8 and how they will be impacted.

3.	For arrangements that are not within the scope of AASB 1059, were previously not accounted for under TPP 06-8 but which you have assessed for the purposes of understanding the impact of AASB 1059	• Finalised position papers explaining:
		  ○ why the arrangement is out of scope of AASB 1059
		  ○ how you will be accounting for the arrangement under applicable accounting standards
		  ○ management's other significant judgements made about the arrangements.
		• If applicable, indicative transition journals at the financial statement line item level
		• If applicable, a summary of what financial statements and note disclosures are going to be impacted and how they will be impacted.

B. **Pro forma financial statements and accompanying notes**. In accordance with AASB 1059 NSW Treasury will prepare whole-of-government consolidated balances and disclosures for AASB 1059 and the withdrawal of TPP 06-8, based on Agency Prime submissions and other returns. Therefore, Agencies must provide the following information as specified below as a minimum, as part of the pro forma financial statements submitted to Treasury via Agencyinfo@treasury.nsw.gov.au and the Audit Office as part of Early Close:

  i. apply new service concession accounting requirements of AASB 1059 retrospectively from 1 July 2019 so must restate opening balances as at 1 July 2019
  ii. prepare a third balance sheet (where material), restate 2019-20 comparative figures and related disclosures for the application of AASB 1059 and withdrawal of TPP 06-8
  iii. provide new descriptive disclosures in their financial statements on service concession arrangements accounted for under AASB 1059
  iv. restate comparatives for all relevant financial statement line items and affected notes for the year ending 30 June 2020
  v. Include pro-forma disclosures on the impact of the new accounting standard and change in accounting policy, in accordance with AASB 1059 and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and
  vi. Include pro-forma disclosures about existing service concession arrangements, in accordance with AASB 1059.

C. **Prime: 2019-20 Financial Year (Comparative Year)**. Prime June 2020 P13 Actuals (previously uploaded by Agencies) will be required to be restated via HFM journals, for the retrospective application of AASB 1059 and withdrawal for TPP 06-8. Agencies will be required to prepare two HFM journal uploads separately restating 2019-20 comparatives for:

  i. Arrangements falling within scope of AASB 1059, and
  ii. Arrangements previously accounted for as privately financed projects (PFPs) under TPP 06-8, that now do not fall within scope of AASB 1059.

  Excel journal templates will be made available to Agencies in February 2021 and will be required to be completed and returned to Treasury via email to Agencyinfo@treasury.nsw.gov.au by **Monday, 26 April 2021.** Treasury analysts will upload submitted journals into Prime on behalf of Agencies. Journal uploads should be supported by AASB 1059 and TPP 06-8 withdrawal transition disclosures included in 2021 early close Agency financial statements.

D. **Prime: 2020-21 Financial Year -** Agencies should already be applying the new service concession accounting requirements in the 2020-21 Actuals and Projections monthly uploads. Service concession balances included in 2020-21 Period 9 Actuals uploads must be consistent with amounts presented in 2021 early close Agency financial statements and accompanying notes.

  1 July 2020 Opening Balances Adjustments - AASB 1059 / TPP 06-8

  Adjustments to 1 July 2020 opening balances resulting from the adoption of AASB 1059 and / or the withdrawal of TPP 06-8 ,should already be reflected in 2020-21 Actuals and Projection monthly uploads, through movement code *MM0175 Change in Accounting Standards and Policy - Current Year*.

  The opening balance flag for 2020-21 Actuals and Projections is derived from the closing balances of June 2020 P13 Actuals. **From Period 10 onwards**, MM0175 movement code opening balance adjustments will not be required in monthly uploads as opening balances based on June 2020 P13 uploads will have been restated by the submitted HFM journal upload adjustments.

E. **Excel Supplementary Returns -** Agencies will be required to complete the following excel based returns to assist NSW Treasury with whole-of-government reporting requirements associated with the adoption of AASB 1059 and withdrawal of TPP 06-8.

These forms will be made available to Agencies in February 2021. Agencies will be required to complete and return these forms to Treasury via email to Agencyinfo@treasury.nsw.gov.au by **Monday, 26 April 2021 (Period 9).**

No.	Return	Return Requirement
1	Service Concession Arrangements Disclosure Return	Spreadsheet return requiring Agencies to record information about service concession arrangements (as per AASB 1059, para 28 disclosure requirements).
2	AASB 1059 Transition Return	Spreadsheet return requiring Agencies to detail the transition impact of adopting AASB 1059 on the 2019-20 comparatives including the: • 30 June 2020 Statement of Comprehensive Income; • 30 June 2020 Statement of Financial Position; and • 1 July 2019 Statement of Financial Position.
3	TPP 06-8 Transition Return	Spreadsheet return requiring Agencies to detail the transition impact of withdrawing TPP 06-8 (for PFP arrangements falling outside the scope of AASB 1059) on the 2019-20 comparatives including the: • 30 June 2020 Statement of Comprehensive Income; • 30 June 2020 Statement of Financial Position; and • 1 July 2019 Statement of Financial Position.
4	2019-20 Supplementary Return	Spreadsheet return requiring Agencies to update 2019-20 supplementary return forms for revisions to comparative period disclosures resulting from the retrospective application of AASB 1059 and withdrawal of TPP 06-8.

Accounting guidance for AASB 1059 is available to Agencies on the Treasury website.

Appendix B: Guidance – Valuation of Physical Non-Current Assets

1.1 Background

TPP 14-01 *Valuation of Physical Non-Current Assets at Fair Value* mandates physical non-current assets to be measured at fair value under AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*, consistent with ABS, GFS and AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Agencies are required to annually:

- review an asset's useful life and residual value at the end of each annual reporting period (AASB 116, para 51)
- document their annual assessment of fair value, useful lives and residual values including reasons why the Agency concluded carrying value was not materially different to fair value.

1.2 Early Close Process

Valuations must be finalised, including review by management, as part of Early Close. This includes providing management valuations, external valuations and management reviews to the Audit Office, so audit procedures can be completed at Early Close. Further, in relation to valuations for this Early Close process, Agencies are to disclose in its pro forma financial statements, for each class of assets, the:

- date of last comprehensive valuation, and
- date of next scheduled comprehensive revaluation.

If requested, Agencies must provide the gross dollar amount of the last comprehensive valuation to Treasury.

1.3 Reliable Measurement

In accordance with AASB 116 para 7(b), assets are only recorded where their fair value can be reliably measured. In rare circumstances, certain assets by their nature, do not meet this criteria and should not be recognised. The assessment of reliable measurement is often subject to significant professional judgement. Reliable measurement can also change over time as new information or valuation methodologies become available.

As noted in TC 18-17 *Timetable for Agency Asset Valuations*, Agencies should identify non-current physical assets that are not currently recognised, because they previously determined those assets could not be reliably measured. Before Early Close a reassessment of the reliable measurement criteria should be conducted and documented in a position paper. Agencies should share their position paper with the Audit Office and, where relevant, organise external valuations as part of Early Close.

1.4 Management Responsibilities for Valuations

Valuations are ultimately the responsibility of the Agency's management. Section 8.5 of TPP14-01 *Valuation of Physical Non-Current Assets at Fair Value* provides guidance on how to manage the valuation process. However, in summary management must ensure:

- responsibility for the Agency's revaluation process is assigned to an officer with appropriate authority
- the valuer is provided formal instructions and the approach they propose is appropriate and complies with accounting standards
- key assumptions used in the valuation approach are appropriate and there is sufficient evidence to support the assumptions
- valuation techniques adopted are appropriate to maximise observable inputs as required under AASB 13 *Fair Value Measurement* and TPP14-01
- the valuation approach is sufficiently documented/supported and reviewed by senior management
- valuers are instructed to carry out the valuation in accordance with TPP 14-01 and AASB 13.

1.5 Guidance on Management's Role in the Valuation Process

In carrying out a valuation an Agency should:

a) Identify the requirements of the revaluation

As part of the planning for the valuation, management should:

- assess whether an external valuation is required (see Types and Frequency of Revaluation below), and if so, the external valuers best placed to perform the valuation
- determine the scope of the assets subject to valuation
- determine timeframes, and
- consider the impact of previous audit issues and recommendations.

If an item of property, plant and equipment ("PPE") is revalued then the entire class of PPE to which the asset belongs must be revalued (AASB 116, para 36). To ensure comprehensive external valuations are conducted with sufficient regularity, TPP 14-01 requires Agencies conduct a comprehensive revaluation:

- at least every 3 years for Land and Buildings, (except infrastructure and land under infrastructure) where the market or income approach is the most appropriate valuation technique for that asset under AASB 13
- at least every 5 years for all other classes of property, plant and equipment.

Because, management are required to assess fair value and perform management valuations where necessary, in other years, a class may be revalued on a rolling basis provided revaluation of the class is completed within a short period and revaluations are kept up to date (AASB 116, para 38). Rolling revaluation policies should ensure assets are revalued on an even and systematics basis.

Note: Ownership and Control – Agencies need to consider which assets they control/do not control under Accounting Standards. Where necessary, conclusions should be adequately documented.

Note: Agencies should have controls in place to ensure fixed assets registers are complete and accurate.

b) Agree with the external valuer the appropriate valuation methodology

As part of the appointment process, the external valuer should demonstrate their understanding of the Agency's asset base and circumstances by setting out their proposed approach to the asset valuation. This should include:

- valuation technique(s) – e.g. income approach, current cost approach, market approach
- valuation inputs
- the use of indexation
- sampling, and
- key assumptions.

Management should review and agree on the reasonableness of the external valuer's approach **before** the valuation takes place.

Note: The current replacement cost method requires the external valuer to consider and document the asset base including key cost drivers, appropriate componentisation, condition assessment and agreed unit cost rates. Management will need to liaise with the external valuer on these matters before the valuation occurs.

Note: Care needs to be taken in determining and reviewing **useful lives** – for instance constant revision of useful lives or a high number of fully depreciated assets may indicate that appropriate useful lives were not selected in the first instance. Useful lives should not automatically be rolled forward at each valuation. e.g. the justification for rolling forward a 50 years useful life after each valuation should be sufficiently documented.

Note: Indexation. Reference should be made to TPP 14-01 when considering indices. Indices should be appropriate for the underlying asset base. In some instances, indexation may not be required. Indexation should not be used as a substitute for a full revaluation.

c) *Review the valuation report*
Management cannot outsource their primary responsibility for valuations, and are best placed to understand the circumstances of their Agency and the Agency's physical non-current assets. Therefore, management must conduct robust reviews of external valuers' reports, challenging the report findings where necessary. These reviews should be documented.

Management reviews should ensure the external valuer's findings are consistent with the Agency's assets and circumstances, make sense and are suitable for the assets reviewed. The review should also ensure that the external valuer's assumptions, methodologies, sources etc are adequately supported and documented.

The following matters in external valuers' reports commonly need improvement:

- how highest and best use was determined,
- rationale for the chosen valuation approach (i.e. market, income or cost)
- evidence of comparable assets used to determine valuations, and
- significant judgements, e.g. discount rates, adjustments for assets' location, condition and restrictions.

Note: Fair value hierarchy. Management should demonstrate and document why assets have been placed in each level of the valuation hierarchy under AASB 13. For instance, valuations with Level 2 classifications should not contain significant unobservable inputs.

d) *Engage with the Audit Office*
Management should engage with the Audit Office as early as possible. This should include the scoping stage and meeting with valuers. The engagement letter should acknowledge the Audit Office are likely to request meetings with the valuer and management to discuss the valuation results.

1.6 Determining Fair Value
Three widely used valuation techniques are the market approach, the cost approach and the income approach. Agencies must use valuation techniques consistent with one or more of these approaches to measure fair value (AASB 13, para 62). Further detail on valuation techniques can be found in TPP 14-01 section 5. It is important to distinguish between those assets using the cost approach from the income and market approaches as this impacts how accumulated depreciation is treated (TPP14-01 section 9.2).

1.7 Valuing Specific Types of Non-current Assets
The following table summarises guidance on revaluing specific types of assets. For further detail refer to TPP14-01 section 7:

Land	• Comprehensive revaluation required at least every 3 years • Restricted land - generally measured in combination with the plant or infrastructure on the land • Non-restricted land - can be valued based on any higher feasible alternative use. In such cases, highest and best use may be either stand alone or in combination with any building or structure on the land • Valuation technique is generally market approach (e.g. comparable sale price) or income approach (e.g. comparable rental income stream) • Likely to be valued as Level 2 or 3 of the fair value hierarchy
Buildings	• Comprehensive revaluation required at least every 3 years • Specialised buildings - generally measured using the cost approach. However, if part of a cash generating unit, income approach may be opted • Non-specialised buildings - generally measured using the market approach or income approach • Specialised buildings are likely to be assessed at Level 3 and non-specialised are generally Level 2 or 3
Specialised Plant and Infrastructure	• Comprehensive revaluation required at least every five (5) years • As specialised assets don't generally have any feasible alternative use, generally measured using the cost approach. However, if considered part of a cash generating unit, income approach may be opted • Specialised plant and infrastructure are most likely to be assessed as Level 3

Service Concession Assets	• Current replacement cost in accordance with the cost approach to fair value in AASB 13 (AASB 1059, paras 7 & 9)
Heritage Assets	• Comprehensive revaluation required at least every five (5) years • Generally measured using the market approach (observable market prices) or cost approach (reproduction cost). Income approach is mostly unlikely • Heritage assets most likely to be assessed as Level 3, but can be Level 2 when there is an active market/observable market prices e.g. some artworks • Certain heritage assets may not be recognised if they cannot be reliably measured. This needs to be supported by an external expert and disclosed in the notes to financial statements where material.
Other Non-specialised Assets e.g. vehicles	• Comprehensive revaluation required at least every five years • When asset has a short useful life, TPP14-01 allows depreciated historical cost to be used as an acceptable surrogate for fair value.

1.8 Impairment Testing - refer to TPP14-01 section 7.6
Under AASB 136 *Impairment* Agencies need to assess at the end of each reporting date whether there are any indicators of impairment (AASB 136, para 9). When there are indicators, an estimate of the recoverable amount, being the higher of value in use or fair value less costs of disposal (AASB 136, para 6), must be made for the asset. An impairment loss is recognised when the carrying amount of the asset or cash-generating unit exceeds the recoverable amount (AASB 136, para 59).

1.9 Types and frequency of revaluations - refer to TPP14-01 section 8
Comprehensive revaluation:

- use external professionally qualified valuers either to conduct the revaluation or to review the revaluation. Conducted every 3 or 5 years depending on the asset type (as discussed in the section above).

Interim revaluations:

- conducted by Agencies between comprehensive revaluations, where cumulative changes to indicators/indices indicate fair value may differ materially from current carrying value. Further guidance on indices is given in TPP14-01 section 8.2
- when cumulative changes in indicators/ indices are less than or equal to 20% - generally management can undertake an interim revaluation. However, management should consider materiality in determining whether a formal valuation is required.
- when cumulative changes in indicators/ indices are greater than 20% a formal revaluation using external professionally qualified valuers is required. Valuers along with management must also consider whether comprehensive revaluations are required more frequently.

1.10 Other matters on valuations

- revalued assets must be depreciated based on the revalued amounts from the day after the date of the revaluation. At year-end Agencies must assess whether there is any indication an asset's carrying amount differs materially from fair value recorded for Early Close
- Agencies need to consider prior year decrements recorded in the net result when recognising asset revaluation reserve increments in the current year. Revaluation increments are to be offset first in the net result to the extent of any previous revaluation losses recognised in the net result
- the Asset Revaluation Reserve balance should be reconciled to the assets held at balance date, with any surplus / deficiency being transferred to / from Accumulated Funds
- revalued asset amounts in valuation worksheets/reports should reconcile to the values in the asset register/general ledger provided to Treasury.

Appendix C: Early Close Procedures Checklist

Forward to Treasury at the same time, as Early Close procedures are completed and submitted to the Audit Office (no later than 26 April 2021)
Email: Agencyinfo@treasury.nsw.gov.au

Agency Name ______________________________________ **Agency No. _(Prime)** _________

	yes "✓" no "x" n/a "-"
➢ Confirm format of pro forma financial statements as agreed with Audit Office.	
➢ Confirm that the pro forma financial statements have been completed, reviewed by management, and include detailed work papers.	
➢ Confirm notes to the financial statements have been updated as outlined in section 2.D.ix.	
➢ Accounting position papers for key emerging issues have been submitted to the Audit Office for feedback.	
➢ Confirm the Agency complies with Treasury's mandatory accounting policies with a detailed explanation if it does not comply.	
➢ Confirm the management review and sign off of the revaluation of Property, Plant and Equipment (PPE).	
➢ Confirm the fair value assessment of PPE has been documented and submitted to the Audit Office for review.	
➢ Confirm the revalued PPE has been included in the early close Prime submissions and financial statements.	
➢ Confirm PPE / intangible movements in the balance sheet and break downs in the note disclosures have been reconciled.	
➢ Confirm all lease arrangements have been correctly accounted for in right-of-use-assets and lease liabilities as per section 2.D.x.	
➢ Confirm all revenue contracts have been assessed and accounted for under AASB 15 and AASB 1058.	
➢ Confirm there are no changes to the 2019-20 closing balances (This would exclude adjustments relating to AASB 1059 and the revoking of TPP 06-8) as outlined in section 2.D.xii. If a change is proposed: attach journal, explanation and proposed disclosure.	
➢ Confirm an agreed action plan is in place to address prior year Management Letter and Engagement Closing report issues from the Audit Office. Provide explanations of unresolved issue(s).	
➢ Confirm that all inter-Agency balances and transactions have been broken down by Agency and inter-Agency balances have been confirmed with contra Agencies.	
➢ Confirm all key account balances have been reconciled.	
➢ *For Principal Cluster Agency only:* Confirm review and assessment of consistency in accounting treatment of **<u>all new material transactions and balances</u>** among cluster Agencies. If the accounting treatment of material transactions or balances differ, the Principal Cluster Agency must communicate the inconsistency to the Accounting Policy Team in NSW Treasury before 26 February 2021 as outlined in section 2.D.viii.	
➢ 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 as outlined in section 2.D.xviii and Appendix A.	
➢ Confirm Appendix G, the Commonwealth Funding - Revenue Assessment Form outlined in section 2.D.xvii has been submitted to Treasury.	
➢ Confirm employee annual leave provisions have been updated as per section 2.D.iii and submitted to the Audit Office for review.	
➢ Confirm March month-end Prime data submission have been reconciled to the pro forma 31 March financial statements and schedule 5 of the Prime Supplementary Return has been completed with detailed variance analysis	
➢ Confirm variance analysis has been completed, with meaningful explanations of key variances is made available for review by Treasury and the Audit Office as per section 2.D.xiii.	
➢ If your Agency has been impacted by changes to legislation and/ or financial reporting requirements, confirm that these have been identified and documented and have been made available for review by Treasury and the Audit Office.	
➢ Confirm all material transactions are supported by appropriate delegations.	
➢ Provide supporting documentation for all areas the Audit Office plans to audit at Early Close, in accordance with the audit service plan.	
➢ *[Agency to detail any other procedures carried out]*	

I confirm that the above Early Close procedures have been complied with, as indicated. Where Early Close procedures have not been complied with, an appropriate explanation is attached.

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

Agency Contact: (Name) _________________________ **(Tel)** _____________ ___/___/2021

Appendix D: 2020-21 Information on Emerging Issues

Due Dates

- *Preliminary submission …………………………………* *26 February 2021*
- *Interim submission……………………………………..* *26 April 2021*
- *Final submission…………………………………………* *21 June 2021*

Email: Agencyinfo@treasury.nsw.gov.au

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

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

- Do you have any emerging issues with an impact of more than $5 million? Yes / No

If yes, what is the nature of the issue(s)?

....

....

....

....

Examples of emerging issues include:

- unresolved accounting policy issues or other matters, which the Audit Office has indicated, may lead to a misstatement or disclosure deficiency in the Financial Statements or the qualification of the Independent Auditor's Report
- 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

If no, the reasons for not amending are:

…..

....

- Have management's positions on the above emerging issues been provided to the Audit Office? Yes / No / N/A

Audit Office

- What date has the audit team indicated that it plans to report to your organisation its observations from the procedures that it conducts on 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

Email: Agencyinfo@treasury.nsw.gov.au

Agency Consideration:

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

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*
- *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 in 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: 2020-21 Mandatory Annual Return - Preliminary Reporting Timetable

Agencies need to develop a detailed plan with key stakeholders, including auditors, to achieve these deadlines. Plans should allow sufficient time for management review and involvement of Audit and Risk Committees as applicable.

Annual Return Procedure	2021
Agencies to submit **30 June 2021 Prime return** consistent with the draft **Financial Statements** to Treasury.	19 July
Agencies to submit **30 June 2021 Annual Financial Statements** to the Audit Office (including supporting work-papers for the Audit Office) and Treasury.	26 July
Agencies to submit **Preliminary Annual Return** and the completed **Supplementary Return** to Treasury.	26 July
Revisions to 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**.**	18 August
Agencies to provide **Final Annual Return** to Treasury.	Within one day of receiving the signed Independent Auditor's Report
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 to submit **draft** Consolidated State Financial Statements to the Audit Office.	3 September

Appendix G: Commonwealth Funding Agreement – Revenue Assessment Form

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 AASB1058 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 receipted to (in Prime):	Enter the agency to which the funding is being receipted 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 tile:	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 Entity	Crown_Entity@treasury.nsw.gov.au
NSW Treasury's Accounting Policy	AccPol@treasury.nsw.gov.au

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