

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 13 December 2019.

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 objects 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.

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 Public Finance and 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 Paper 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 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 Paper – 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 Paper, 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 Paper.
 - A. Complete and return the Prime Data Submissions, 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 revaluations of 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 31 January each year.

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

The accountable authority for an Agency must prepare note disclosures 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 Paper.**

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 engage with the Auditor-General to confirm the nature and timing of Early Close Procedures to be performed, and the scope and timing of any review of the Early Close Procedures by the Auditor-General.

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 31 May each year.

4. Emerging Accounting Issues Report

The accountable authority for an Agency must submit an Emerging Accounting Issues Report specifying any significant issue, which may have the potential to impact the Consolidated State Financial Statements, to NSW Treasury by the date to be specified in the Treasury Policy Paper. 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. Interim Return – to accompany the Early Close Procedures, including an update on resolution of issues identified in (A) above and any new issues not identified in (A) above.
- C. 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) and (B) 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.

This Direction must be read in conjunction with the Treasury Policy Paper which contains specific dates and templates that must be used.
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This Direction replaces:

This Direction withdraws and supersedes all previous NSW Treasury Circulars 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)*

Dominic Perrottet MP
Treasurer
NSW Treasury website: www.treasury.nsw.gov.au

APPENDIX A

Aboriginal Housing Office
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, Industry and Environment
Department of Premier and Cabinet
Destination NSW
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
Home Purchase Assistance Fund
Hunter and Central Coast Development Corporation
Hunter Water Corporation
Independent Commission Against Corruption
Independent Liquor and Gaming Authority
Independent Pricing and Regulatory Tribunal
Industry, Skills and Regional Development: Other Funds and
Trusts
Information and Privacy Commission
Infrastructure 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
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 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
Rail Corporation New South Wales
Rental Bond Board
Roads and Maritime Services
Roads Retained Interest Pty Ltd
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 Cricket and Sports Ground Trust
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 for NSW
Venues NSW
Waste Assets Management Corporation
Water Administration Ministerial Corporation
Water NSW
Western City and Aerotropolis Authority
Western Sydney Parklands Trust
Workers' Compensation (Dust Diseases) Authority
Zoological Parks Board of New South Wales