

Mandatory Annual Returns to Treasury

Summary:

This Direction makes provision with respect to procedures to be followed by agencies each year to comply with requirements to submit Annual Returns in respect of the financial year ending 30 June.

Annual Returns consist of the annual GSF financial statements for a financial year and associated schedules, that reflect the Agency's financial performance and its financial position at 30 June of that financial 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 Annual Returns.

Commencement: This Direction takes effect on 7 June 2021.

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 reports to be prepared in accordance with *Division 7.4 of the GSF Act*;
2. to ensure Agencies provide Treasury with Annual Returns that are complete and accurate to allow Treasury to produce the Total State Sector Accounts;
3. to enhance the efficiency of the financial reporting process and promote early identification and resolution of accounting issues;
4. to facilitate timely completion and improve the quality of government sector reporting, with the aim of Agency financial statements and Total State Sector Accounts receiving unqualified audit opinions, by reducing misstatements and their underlying causes; and
5. to ensure procedures that are required to be completed at an interim date under the Treasurer's Direction on Mandatory Early Close as at 31 March each year (TD19-02) are updated and finalised as part of the Annual Returns.

Interpretation:

In this Direction:

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

Agency – means a GSF agency listed in Appendix A.

Annual Returns – means the financial statements and associated schedules/notes that reflect the Agency's financial performance for the financial year ended 30 June and financial position at 30 June of that year.

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*.

Australian Accounting Standards – has the same meaning as in *section 1.4 of the GSF Act*.

Consolidated State Financial Statements – has the same meaning as in *section 7.17 of the GSF Act*.

Crown Data Return – means the Appendices in the Treasury Policy Paper required to be signed off and submitted to Treasury by the accountable authority for an Agency.

Final Annual Return – means the signed and audited financial statements and associated reports/schedules/notes and final Prime Data Return that reflect the Agency's financial performance for the financial year ended 30 June and financial position at 30 June of that year.

financial arrangement – has the same meaning as in *section 6.7 of the GSF Act*.

financial arrangement approval – has the same meaning as in *section 6.23 of the GSF Act*.

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*.

Government Finance Statistics - a system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

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

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

Preliminary Annual Return – means the financial statements, as prepared for audit, and associated reports/schedules/notes and updated Prime Data Return that reflect the Agency's financial performance for the financial year ended 30 June and financial position at 30 June of that year.

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

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

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*.

Public Financial Corporation – means a government-controlled agency that has one or more of the following functions:

- that of a central bank,
- the acceptance of demand, time or savings deposits, or
- the authority to incur liabilities (such as insurance) and acquire financial assets in the market on their own accounts.

Public Non-Financial Corporation – means an agency for which user charges represent a significant proportion of revenue, and which operates within a broadly commercial orientation.

Resolution of Emerging Accounting Issues previously advised to Treasury Report – means a return referred to in the mandatory annual returns Treasury Policy Paper required to be signed off and submitted to Treasury by the accountable authority for an Agency.

Supplementary Return – means the schedules in the Prime System/excel return required to be completed and submitted by the accountable authority for an Agency.

Total State Sector – means all agencies and corporations owned and controlled by the NSW government. It comprises the General Government Sector, Public Non-Financial Corporations and Public Financial Corporations.

Total State Sector Accounts – means the Consolidated State Financial Statements of the General Government Sector and Total State Sector.

Treasury Policy Paper – means the mandatory annual returns 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. **Mandatory Annual Returns** - 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, in the manner and form, specified in the Treasury Policy Paper.

The accountable authority for an Agency must review and approve the Crown Data Return, Prime Data Return, financial statements, Supplementary Returns and any additional returns specified in the Treasury Policy Paper prior to submission to NSW Treasury. The information in the Prime Data Return must agree with the financial statements submitted for audit.

A. Complete and return the following information:

- i. Crown Data Return,
- ii. Prime Data Return,
- iii. Preliminary Annual Return,
- iv. Supplementary Return,
- v. Resolution of Emerging Accounting Issues previously advised to Treasury Report, and
- vi. Final Annual Return.

B. Develop a detailed plan to enable the submission of information referred to in clause 2.A above. The plan must be developed in consultation with key stakeholders, including the Auditor-General, and the plan must allow sufficient time for review by the accountable authority for an Agency and involvement of the Audit and Risk Committee of the Agency.

C. Perform the following:

- i. **Finalise revaluations of property, plant and equipment undertaken in accordance with TD19-02.**

Revaluations must be based on appropriate methodologies and records kept supporting this valuation at 30 June each financial year.

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

The useful lives and residual values of property, plant and equipment must be reviewed and documented.

Where the Agency concludes that the carrying value of property, plant and equipment is not materially different to the fair value, reasons must be provided for this conclusion.

The documentation must demonstrate why assets have been placed in each level of the valuation hierarchy under Australian Accounting Standard AASB 13 *Fair Value Measurement*. For example, valuations with Level 2 classifications should not contain significant unobservable inputs.

- iii. **Finalise 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.**

The accountable authority for an Agency providing the services must take the lead in agreeing each transaction and balance. Agencies must support counterparts seeking to verify their counterparty balances, and must confirm the dollar amount of Total State Sector inter-agency transactions and balances.

The accountable authority for an Agency must document the confirmation of inter-agency transactions and balances to evidence year end processes, which will be submitted to the Auditor-General during the audit process.

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, and set out management's evaluation and conclusion as submitted to the Auditor-General. Materiality must drive the decision about what to document.

vi. **Prepare balance sheet account reconciliations.**

The accountable authority for an Agency must ensure account reconciliations are completed in support of the balance sheet at 30 June, and ensure all general ledger accounts for the Agency are fully reconciled, independently reviewed and approved, with all analytical work performed to support the accuracy and completeness of reconciliations for both. Key account balances must be reconciled monthly.

vii. **Reconcile the June month-end Prime Data Return to the pro forma 30 June financial statements using the Supplementary Return.**

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

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

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. **Complete a variance analysis**

The accountable authority for an Agency must complete a detailed variance analysis for the financial year to 30 June. The variance analysis must include:

- a. Comparison of the Agency's actual current financial year financial performance and financial position to the prior financial year financial performance and financial position, and
- b. Comparison of the Agency's actual current financial year financial performance and financial position to the original budgeted financial performance and financial position where Australian Accounting Standard AASB 1055 *Budgetary Reporting* applies to the Agency.

xi. **Any other requirements specified in the Treasury Policy Paper.**

3. Events after the reporting period

The accountable authority for an Agency must notify Treasury of events after the reporting period (as defined in Australian Accounting Standard AASB 110 *Events after the Reporting*

Period), within a day of the Agency becoming aware of the issue. Agencies are required to perform an assessment of the events after the reporting period in accordance with AASB 110.

4. Correction for errors to submitted data

The accountable authority for an Agency must advise Treasury of all adjustments and/or errors (corrected or uncorrected) greater than \$5 million identified subsequent to submitting the Preliminary Annual Return to Treasury so that the Total State Sector Accounts can be assessed for revision.

5. Prior Year data

The accountable authority for an Agency may only change comparative information in its financial statements if the change is required by Australian Accounting Standards. For example application of a new accounting standard, due to a change in accounting policy or 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.

6. Submission of financial statements for Audit

Financial statements must be prepared and given to the Auditor-General within 4 weeks following the end of the annual reporting period to enable the Auditor-General to audit them.

7. 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.

This Direction replaces:

This Direction withdraws and supersedes all previous NSW Treasury Circulars on Mandatory Annual Returns 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 on or before 31 March 2026.

(Legislative) References:

Sections 3.1 and 7.6(2), *Government Sector Finance Act 2018* (NSW)

Dominic Perrottet MP

Treasurer

3 June 2021

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
Department of Transport
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 Planning Commission
Independent Pricing and Regulatory Tribunal
Information and Privacy Commission
Infrastructure NSW
Insurance and Care NSW
Investment NSW
Jobs for 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 Access Regulator
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 Independent Planning Commission
Office of the Independent Review Officer
Office of the Children's Guardian
Office of the Director of Public Prosecutions
Office of the NSW Rural Fire Service
Office of the NSW State Emergency Service
Office of Transport Safety Investigations
Ombudsman's Office
Parliamentary Counsel's Office
Place Management NSW
Planning Ministerial Corporation
Ports Assets Ministerial Holding Corporation
Property NSW
Public Service Commission
Rental Bond Board
Regional NSW
Resilience NSW
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 Asset Holding Entity of New South Wales
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