

# **Treasurer's Direction**

# TD19-02 Mandatory Early Close as at 31 March each year

Tuesday, 19 March 2024

# TD19-02 Mandatory Early Close as at 31 March each year

## Summary:

This Direction makes provision 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 Tuesday, 19 March 2024.

# Application:

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

## Purpose/objectives:

The objectives of this Direction are as follows:

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

## Interpretation:

In these Directions:

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

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

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

Auditor-General - means the Auditor-General referred to in section 1.4 of the GSF Act.

*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 Procedures Checklist** – means the checklist in the Treasury Policy and Guidelines to be signed off by the accountable authority for an Agency.

**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.

Information on Emerging Issues return – means the return referred to in clause 4 of this Direction.

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

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

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

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

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

#### Direction:

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

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 non-financial assets.
- 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 (portfolio) 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 Department Agency.

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

ix. Prepare notes to pro-forma Financial Statements.

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

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

#### 3. Audit Planning

- A. The accountable authority for an Agency must communicate with the Auditor-General through the Information on Emerging Issues returns 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 communicate with the Auditor-General on the impact of new accounting standards, including any specific disclosure requirements affecting the Financial Statements.
- D. The accountable authority for an Agency must consult, engage and request that the Auditor-General communicate the expected content of the Annual Engagement Plan, the audit procedures to be completed and when the audit procedures are to be carried out.
- E. The accountable authority for an Agency must provide a copy of the Auditor-General's letter concerning observations on Early Close Procedures to NSW Treasury by the date that is outlined in the Treasury Policy and Guidelines.

#### 4. Information on Emerging Issues

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

A. Preliminary Return – to identify issues and address the potential impact on the year-end results, projection and forward estimates.

B. Final Return - to update potential impacts to the year-end, including issues identified by the Auditor-General as part of the Early Close Procedures and the resolution of issues identified in (A) above.

#### 5. Exemptions and Extensions

- A. The Secretary of 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 or their nominee.
- 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 and Guidelines which contains specific dates and templates that must be used.

## This Direction replaces:

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

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

End date or review date for this Direction:

This Direction is to be reviewed on or before Tuesday, 31 December 2024.

### (Legislative) References:

Section 3.1 Government Sector Finance Act 2018 (NSW)

Daniel Mookhey MLC

Treasurer

March 2024

# Appendix A

Aboriginal Housing Office

Agricultural Scientific Collections Trust

Alpha Distribution Ministerial Holding Corporation

Art Gallery of New South Wales Trust

Audit Office of New South Wales

Australian Museum Trust

Biodiversity Conservation Trust of NSW

**Building Insurers' Guarantee Corporation** 

Centennial Park and Moore Park Trust

Crown Solicitor's Office

Department of Climate Change, Energy, the Environment and Water

Department of Communities and Justice

Department of Customer Service

Department of Education

Department of Enterprise, Investment and Trade

Department of Planning, Housing and Infrastructure

Department of Regional NSW

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

Energy Corporation of New South Wales

**Environment Protection Authority** 

**Environmental Trust** 

Epsilon Distribution Ministerial Holding Corporation

**Essential Energy** 

Fire and Rescue NSW

Forestry Corporation of New South Wales

**Greater Cities Commission** 

Greater Sydney Parklands Trust

Health Care Complaints Commission

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

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

Museums of History NSW

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 Childcare and Economic Opportunity Fund Board

**NSW Education Standards Authority** 

**NSW Food Authority** 

**NSW Independent Casino Commission** 

**NSW Police Force** 

**NSW Reconstruction Authority** 

**NSW Self Insurance Corporation** 

**NSW Trains** 

NSW Trustee and Guardian

Office of Sport

Office of Independent Review Officer

Office of the Children's Guardian

Office of the Director of Public Prosecutions

Office of the NSW Rural Fire Service

Office of the NSW State Emergency Service

Office of Transport Safety Investigations

Ombudsman's Office

Parliamentary Counsel's Office

Place Management NSW

Planning Ministerial Corporation

Port Botany Lessor Ministerial Holding Corporation

Port Kembla Lessor Ministerial Holding Corporation

Port of Newcastle Lessor Ministerial Holding Corporation

Premier's Department

Property NSW

**Public Service Commission** 

Regional Growth NSW Development Corporation

Rental Bond Board

Royal Botanic Gardens and Domain Trust

Service NSW

State Insurance Regulatory Authority

State Records Authority NSW

State Sporting Venues Authority

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 Cabinet Office

The Treasury

Transport Asset Holding Entity of New South Wales

Transport for NSW

Trustees of the Museum of Applied Arts and Sciences

Venues NSW

Waste Assets Management Corporation

Water Administration Ministerial Corporation

Water NSW

Western Parkland City Authority

Western Sydney Parklands Trust

Workers' Compensation (Dust Diseases) Authority

Zoological Parks Board of New South Wales