

Policy and Guidelines: Working accounts in the Special Deposits Account

TPG24-20

June 2024

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Revision history				
Document version number	Approval Date	Author	Approver	Description
0.1		FMP		First draft
1	June 2024	FMP	finpol@treasury.nsw.gov.au	First version

Key information	
Treasury Policy and Guidelines (TPG) is relevant to?	<input checked="" type="checkbox"/> GSF Agencies <input checked="" type="checkbox"/> General Government Sector <input checked="" type="checkbox"/> Public non-financial corporation <input checked="" type="checkbox"/> Public financial corporation <input checked="" type="checkbox"/> State Owned Corporations <input type="checkbox"/> Other
	<input checked="" type="checkbox"/> Executive agencies related to Departments
	Subsidiaries of the NSW Government established under the Corporations Act 2001
Date issued	June 2024
Review date	June 2029
<input type="checkbox"/> Replaces <input type="checkbox"/> Replaced by	
Issuing/Publishing entity	NSW Treasury
Related instrument(s)	<i>Government Sector Finance Act 2018 – Sections 4.16 and 4.17</i> <i>Government Sector Finance Regulation 2018 – Clause 14</i>
Document approver	
Contact	Financial Management Policy finpol@treasury.nsw.gov.au
Document contains	
<input checked="" type="checkbox"/> MANDATORY POLICY compliance set out by NSW Treasury.	
<input checked="" type="checkbox"/> RECOMMENDED POLICY reflecting best practice standards.	
<input checked="" type="checkbox"/> GUIDANCE/ADDITIONAL INFORMATION to provide clarity or explain requirements in detail.	

Working accounts in the Special Deposits Account

Purpose

This TPG explains the requirements set by the *Government Sector Finance Act 2018 (GSF Act)* and the *Government Sector Finance Regulation 2018 (GSF Regulation)* for GSF Agencies establishing, operating and dissolving working accounts.

This document sets mandatory requirements and provides guidance for Accountable Authorities of GSF agencies who are:

- creating a new working account;
- operating a working account; and
- closing a working account.

Background

Public money and the Consolidated Fund

Under the NSW Constitution¹, all public money collected, received or held on behalf of the State is part of the Consolidated Fund, unless it is specifically required by another Act that the money is to be kept separate from the Consolidated Fund. The Consolidated Fund is a ledger account.

Working accounts in the Special Deposits Account

An example of an Act that requires or directs that public money is to be kept separate from the Consolidated Fund is the *GSF Act*. It allows the option for public money to be held in accounts in the Special Deposits Account (SDA) under certain circumstances. Working accounts are a specific type of account held within the SDA. Money that is in an account in the SDA, including working accounts within the SDA, does not form part of the Consolidated Fund.

What is a working account?

- A working account is an account approved by the Treasurer on request from a GSF agency's Accountable Authority (AA), that allows money to be held outside the Consolidated Fund.
- How and when a working account can be used is determined by the 'authorising instrument' issued by the Treasurer to the AA of a GSF Agency.
- Working accounts are ledger accounts and are not necessarily supported by a separate bank account.

¹ *Constitution Act 1902 (NSW)* s39(1).

1. 1. Creating a new working account

Mandatory

- 1.1 When an Accountable Authority (AA) of a GSF Agency is seeking to establish and operate a new working account they must apply to the Treasurer using the *Application Template*.²
- 1.2 The Accountable Authority must sign the Application Template and submit it to their agency's NSW Treasury Customer Relationship Lead (CRL). The CRL will review the application and submit supported applications to the Treasurer.
- 1.3 The *GSF Act* requires all accounts in the SDA to have a 'Responsible Manager'. For working accounts, the 'Responsible Manager' is the person identified as the Responsible Manager in the Treasurer's authorising instrument for the working account. Responsible Managers are responsible for maintaining records and other information on the working account in line with *GSF Act* section 4.16(1).
- 1.4 If a working account application is approved, the Responsible Manager must notify their Audit Office audit team of its establishment.

Recommendation

- 1.5 When preparing the application, the AA should ensure their agency:
 - engages their CRL while preparing their application; and
 - consults internal Legal and Finance teams prior to submitting their application to Treasury.
- 1.6 The Responsible Manager named in the authorising instrument should be the AA of the GSF Agency seeking to establish the working account, in line with Treasurer's Direction TD23-24 SDA Financial Reports.
- 1.7 The operational contact for a working account should be someone within the agency who has a high degree of familiarity with the operation of the working account.

Guidance

What information is required in the application form?

The Application Template includes the information required by the Treasurer under *GSF Regulation* clause 14(1) and 14(2) including:

- the reason(s) the GSF Agency requires a working account, including a clear explanation why this money should be recorded in the working account and not in the Consolidated Fund;
- the types of working account money, as defined by *GSF Regulation* clause 14(4), that will be paid into the working account;

² This *Application Template* is the application form approved by the Treasurer (*GSF Regulation* clause 14(1)(a)).

- the reasons why money will be paid out of the working account;
- a complete list of the types of transactions expected to be recorded in the working account, as this will inform the Treasurer's authorising instrument, which establishes the only transactions that can be recorded in a working account;
- the contact details for an operational contact for the working account; and
- if the working account is being established for a specific or time-limited purpose, the working account application should include a working account dissolution date and instructions on how any balance in the account will be handled, if known.

When can a working account be set up?

The GSF Regulations (at clause 14(4)) permit only certain sources of money to be recorded in a working account, and the *GSF Act* (at section 4.17(2)) prohibits other kinds of money. But in addition to the source of the money, there needs to be a reason for the money to be held outside of the Consolidated Fund.

'Working account money' in clause 14(4) refers to money that is **eligible** to be kept in a working account, however this money is not **required** to be kept in a working account. Working accounts can only be established for types of money which are not appropriate to be recorded in the Consolidated Fund, for example:

- money with legal restrictions of its expenditure e.g. bequests;
- funding from government or non-government sources that is received to deliver a specific function e.g., a self-funding government activity, initiative or entity. It won't always be necessary to open a working account for this reason but there may be additional contextual reasons that make it the preferred option;
- funding from non-government sources received for a specific purpose or received to be used by a certain part of the agency e.g., fundraising by local units or front-line volunteers to support local operations of specific services.

2. Operating a working account

Mandatory

- 2.1 The Responsible Manager must ensure that their working account is only used in accordance with the Treasurer's authorising instrument.
- 2.2 The Responsible Manager must keep records and other information concerning the operation of the account to demonstrate that it is compliant with the Treasurer's authorising instrument (*GSF Act* section 4.16(1)).
- 2.3 To ensure records and other information are maintained to demonstrate the account's compliance, the Responsible Manager must:
 - 2.3.1 retain a copy of the Treasurer's written authorisation (*GSF Regulation* clause 14(1)(b)), the 'authorising instrument', for the establishment and operation of the working account once it is received; and
 - 2.3.2 set up internal processes to ensure that applicable requirements under the *GSF Act*, *GSF Regulation* and Treasurer's authorisation are complied with.
- 2.4 The Responsible Manager must reassess the need for a working account at least every 5 years.
- 2.5 The Responsible Manager must follow the process to establish a working account in order to amend the authorising instrument if they determine that the changes need to be made to the Treasurer's authorising instrument, including if any dissolution date set by the Treasurer's authorising instrument needs to be extended or removed.
- 2.6 The Responsible Manager must ensure that the working account meets its financial reporting obligations under section 7.8 of the *GSF Act*.

Recommendation

- 2.7 Agencies should consult their internal compliance team or their CRL to identify any compliance requirements of the working account and ensure they are met.

Information

Section 4.17(2) prohibits an agency recording in a working account the funding received under its own annual appropriation. However section 4.17(2)(a) doesn't prohibit an agency recording in its working account payment received from another agency, where that payment has been made by the other agency under the authority of its (the other agency's) annual appropriation.

3. Closing a working account

Mandatory

- 3.1 When an AA determines a working account is no longer required, the working account must be dissolved by:
 - 3.1.1 the Responsible Manager providing a written request for the working account to be dissolved to their CRL, addressed to the Treasurer and signed by their AA; and
 - 3.1.2 the CRL then submitting the request to the Treasurer.
- 3.2 A working account must be dissolved in accordance with the Treasurer's written order (*GSF Regulation* clause 14(3)) given to the AA, including the treatment of any balances in the account.
- 3.3 Following dissolution of a working account, the Responsible Manager must notify their Audit Office audit team.

Recommendation

- 3.4 The written request from the AA to the Treasurer should advise of the residual balance and propose the treatment of any residual balances in the account. Treatment of any balances in a working account are at the Treasurer's discretion, and may be returned to the Consolidated Fund.
- 3.5 Since, on dissolution, working account money is returned to the Consolidated Fund unless specified otherwise by the Treasurer in writing, working accounts shouldn't be closed until all committed expenditure has been incurred.

Definitions

Term	Description
Special Deposits Account (SDA)	section 4.15 of the <i>Government Sector Finance Act 2018</i> provides a place to record government money that is separate to the Consolidated Fund
Working account	A type of SDA account that is created by the Treasurer under section 4.17 of the <i>Government Sector Finance Act 2018</i> .
Consolidated Fund	Created by NSW's <i>Constitution Act 1902</i> section 39, this is the ledger where all government money is recorded unless other legislation permits otherwise.
Authorising instrument	The legal document that, once signed by the Treasurer, creates a specific working account, to record specific transactions and make specific payments.
Responsible Manager	For working accounts, the 'Responsible Manager' is the person identified as the Responsible Manager in the Treasurer's authorising instrument for the working account. This should be the Accountable Authority of the GSF Agency seeking to establish the working account in line with Treasurer's Direction TD23-24 SDA Financial Reports..
Operational contact	Contact within the agency that manages the working account.