

Acquittal and Return Guide

for ECE grant funded service providers

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1. Overview

Early Childhood Education (ECE), Department of Education is committed to working with service providers to improve service accountability and simplify grants administration.

The implementation of this administration will take place through the Early Childhood Contract Management System (ECCMS).

The purpose of this guide is to assist service providers to complete their organisation's annual financial acquittal in accordance with the grant Terms and Conditions. The first section of the guide will take you through information that you need to know before you start to complete your acquittal. The second and third parts provide guidance relevant to the type of acquittal that you are completing. The final part provides information on frequently asked questions that may emerge as you complete the acquittal.

The Acquittal Package

This guide should be used alongside the other documents included in the Acquittal Package. Your Acquittal package contains the following items:

- ECE Statement of Expenditure (including notes)
- Checklist
- Acquittals Fact Sheet

Please ensure you keep a copy of all submitted documents for your own records. Should you require an extension on the due date please contact the infoline (1300 755 426).

Service Level/Funding Specification Acquittals

Your acquittal has to report by individual services / Funding Specifications. As a result, there must be a separate Statement of Expenditure for each funded service / Funding Specification. This approach has been implemented to better align your organisation's acquittal with your funded programs.

Financial Statements

Financial reporting requirements depend on whether the service is classified as a Tier 1 or Tier 2 organisation

Tier 1 organisations:

These are Associations and Public Companies limited by guarantee who are required to prepare Audited Financial Statements under the NSW Government Associations Incorporation Act 2009, the Associations Incorporation Regulation 2010 or the Corporations Act 2001. ECE does not require audited financial statements from Shire or Municipal Councils, Local Health Districts, Universities or TAFEs.

These statements should be for the service provider as a whole and must be audited by a qualified auditor.

Where Audited Financial Statements are required they must comply with Australian Accounting Standards and should encompass the operations of your entire organisation. The Audited Financial Statements should include as a minimum:

- Balance Sheet as at the end of the period
- Statement of Income and Expenditure for the period
- Statement of Movements in Equity for the period
- A statement of accounting policies appropriate for transactions undertaken by the association
- An independent Audit Certificate that provides an opinion as to the truth and fairness of the financial statements of your organisation, printed on your auditor's letterhead (or as part of your Annual Report) and signed by an appropriately qualified auditor.
- A signed declaration from the directors or committee members, attesting to the accuracy of the financial accounts.

In addition, where the association has total revenue greater than \$2 million in a financial year, it will be necessary to prepare full financial statements including:

- Statement of Cash Flows for the period
- Notes comprising a summary of significant accounting policies adopted by the service provider and other explanatory information in accordance with Australian Accounting Standards

A qualified auditor must be independent of the service provider, must not have any financial interest in the service provider and must be a member of one of the following:

- The Institute of Chartered Accountants in Australia
- Australian Society of Certified Practising Accountants
- Institute of Public Accountants
- A company auditor who is registered with the Australian Securities and Investment Commission (ASIC)

Tier 2 organisations:

Associations that are not required to prepare audited financial statements can submit unaudited Income and Expenditure Statements and a Balance Sheet (including Statement of Equity). This includes Shire or Municipal Councils, Local Health Districts, Universities or TAFEs. These statements are to be:

- Included as part of ‘minutes of meeting’ approving the Financial Statements and agreed to by all members of the board of management or governing committee, and
- Provided with a definitive statement, signed by a person or firm that is independent of the service and a qualified accountant, as to whether the financial statements are true and fair.

A qualified accountant is someone belonging to one of the following professional bodies:

- The Institute of Chartered Accountants in Australia
- Australian Society of Certified Practising Accountants
- Institute of Public Accountants

Due Date for Submission of Financial Documentation

Each service receiving funding must complete an online ‘ECE Statement of Expenditure’ report for each Program, detailing how the funding was expended including details of any ‘Unexpended Funds’. The reports are to be submitted by the ‘Designated Officer’ through ECCMS.

The ‘ECE Statement of Expenditure’ and supporting financial documentation must be submitted to the Department within four months of the end of approved funded provider’s Financial Year. Where approved funded provider’s end of Financial Year is 30 June all required documents must be submitted to the Department’s representative by the following 31 October (unless specified otherwise). Where approved funded provider’s End of Financial Year is 31 December documents must be submitted by 30 April of the following calendar year (unless specified otherwise).

2. Financial acquittals

Please refer to the tables below to determine if you are required to submit financial statements and are a **Tier 1** or **Tier 2** service provider.

Information Requirements

Tier 1 Service Providers	Acquittal Requirements
<ul style="list-style-type: none">• Associations with a total income greater than \$250,000 excluding GST (excluding Shire or Municipal Councils, Local Health Districts, Universities and TAFEs); or• An association with current assets more than \$500,000; or• Any service provider that is not a Tier 2 service provider	<ul style="list-style-type: none">• Audited Financial Statements for the end of the funded provider’s Financial Year (please refer to Section 1, Financial Statements)• Income and Expenditure Statement (if not identifiable in the Audited Financial Statement)• ECE Statement of Expenditure• Asset Register (if required)

Tier 2 Service Providers	Acquittal Requirements
<ul style="list-style-type: none">• Associations with a total income of less than or equal to \$250,000 excluding GST AND its current assets are less than \$500,000; and• Shire or Municipal Councils, Local Health Districts, Universities and TAFEs	<ul style="list-style-type: none">• ECE Statement of Expenditure• A copy of the Minutes of the meeting approving the Financial Statements, and agreed to by all members of the board/management committee• Statement signed by an independent qualified accountant verifying that the Financial Statements are true and fair• Income and Expenditure Statement• Balance Sheet (including Statement of Equity)• Asset Register (if required)

Income and Expenditure Statement

An Income and Expenditure Statement is required for each service / Funding Specification. The Statements should show the overall financial activity of each of service / Funding Specification being funded. This would include ECE and non-ECE income and related expenditure.

The Income and Expenditure Statement is the basis from which your 'ECE Statement of Expenditure' is completed and should clearly agree with the figures reported in any Audited Financial Statements.

The Income and Expenditure Statement disclosed is required to be for the end of the funded provider's Financial Year.

Statements from previous years can also be submitted if you have surplus funds from previous years required to be reported in your annual acquittal. This information would normally be generated from your organisation's accounting system or from your Financial Statements.

Service providers that can demonstrate that the Income and Expenditure Statements for each service / Funding Specification is identifiable in their audited Financial Statements will not need to provide additional separate Income and Expenditure Statements.

ECE Statement of Expenditure

An ECE Statement of Expenditure is required for each service / Funding Specification. If you report an overall nil balance or deficit for each ECE service / Funding Specification no further action is required. If you report a surplus please see Section 3 Management of Surplus Funds.

Non-ECE income from other agency grants should be reported. Service user contributions should also be acquitted. Please refer to Section 4 (Service User Contributions) for further information.

Please note:

- The amounts shown in your ECE Statement of Expenditure should be clearly identifiable on, or clearly reconciled to, your Income and Expenditure and Financial Statements.
- Adjustments to the acquittal may be made if incorrect items are included in the ECE Statement of Expenditure. The adjustments will be substantiated and will be available for review.

Asset Register

An Asset Register showing ECE and non-ECE funded assets is required to be submitted if any depreciation, capital expenditure or sale of assets has been reported in your acquittal.

3. Management of surplus funds

If you have any surplus ECE grant funds, these must be returned to the Department.

Transfer/Reallocation

Surplus funds cannot be transferred across programs.

Recovery of Funds

Under the grant funding Terms and Conditions service providers are required to return any unexpended funds to ECE. Unexpended funds arise when the ECE grant has not been fully spent.

If you have any surplus funds to be recovered or returned to ECE please contact the Partnerships & Program Team to discuss the return of surplus funds. ECE will advise you, after reviewing your acquittal, whether these funds will be recovered by offset or should be returned to the Department by cheque.

Start Strong Fee Passthrough

Under the Start Strong Funding Guidelines services are required to pass through at least 75 per cent of the increased funding to families by lowering their daily fees. Daily fees for children from low income and Aboriginal families (equity children) must also be lower than non-equity children's daily fees. In exceptional circumstances where the preschool cannot reduce fees by at least 75 per cent of the increase, a justification must be provided.

The department will monitor fee pass through using the data collected through the Preschool Census as well as reviewing the annual Financial Acquittals of services.

Offsets Against Future Payments

In some cases a surplus will be recovered by ECE by offsetting grant payments. Money owed to ECE will be taken off the next payments due to your organisation until the entire surplus is recovered. Service providers are expected to make adjustments to their accounts to transfer the surplus funds to the operational account where the grant payment would have been deposited.

Return of Funds by Cheque/Deposit

In some cases an offset cannot be used to recover the surplus, for example, where a service provider no longer receives ECE funding or has closed and has no payments to offset. In this case the funds must be returned by cheque/deposit into the Department's bank account.

If you are required to return funds by cheque/deposit you will receive a written request from the Department. This will detail the amounts and the services for which you are required to return funds. You should then send a cheque for the requested amount to the Department, or alternatively pay the required amount directly into the Department's bank account.

4. Additional information

The following information should be referred to when completing your acquittal.

Standard Chart of Accounts

A Standard Chart of Accounts may be submitted on a voluntary basis by funded service providers. This can assist providers to produce more relevant financial reports and organise their financial transactions in an easily understood structure. The acquittal package reflects the Standard Chart of Accounts Data Dictionary.

Information about the Standard Chart of Accounts can be found on the Standard Chart of Accounts website:

wiki.gut.edu.au/display/CPNS/National.

Service User Contributions

Contributions from those who use the early childhood education and care service you provide must be reported on your ECE Statement of Expenditure. This includes fee income for enrolled users of the funded program activities.

Depreciation

Depreciation is the only exception to the cash accounting rule in your ECE acquittal. Service providers with assets that contribute to the provision of the service and which are recognised on the Balance Sheet can have their depreciation expenses included as expenditure against ECE recurrent funding. If you are claiming depreciation against ECE funding in your ECE Statement of Expenditure please refer to the Depreciation and Assets Fact Sheet for further information.

Matching Principle

Please adopt the matching principle when completing your acquittal. This means that expenditure should be reasonably apportioned to the income you receive and you should only include expenses that are associated with your ECE income.

Provision for Bad Debts

Most service providers will not have such a provision but if you have provided for bad debts the amount should be included as other operating costs. It should only be claimed if the debts relate to income previously recognised as income on an ECE Statement of Expenditure for that service.

Employee Salaries and Wages

When reporting salaries and wages in your ECE Statement of Expenditure you would typically include: salaries and wages, allowances, penalties, group tax, sustenance and bonuses, superannuation contributions, workers' compensation premiums, long service leave, annual leave (including loading) and staff training and development costs.

Provisions

When recognising expenses for provisions, ECE requires compliance with Australian Accounting Standards.

Accounting for Consumables

AASB 102 requires that inventories held for distribution be shown on your Statement of Financial Position (Balance Sheet) and recognised as an expense when used. Accordingly, the cost of consumables, including publications, claimed against your ECE Acquittal should reflect only the cost of consumables actually used during the funded period.

Cross-Subsidisation

Service Providers cannot automatically transfer grant funding between services from different grant programs.

Funding Deficits from Previous Years

If a service has incurred a deficit in prior years, this deficit cannot be carried forward.

Administration Fees

As a general principle, all expenses incurred in providing ECE services can be shown on the acquittal with a clearly detailed method of allocation. Please refer to the Internal Administration Fees Fact Sheet for further information.

5. ECE review of acquittals

Upon receipt of your acquittal, ECE will follow the process as outlined below:

- Your acquittal and accompanying financial statements will be reviewed by ECE.
- The acquittal may then be referred to an external auditor engaged by ECE. The review process may lead to adjustments to your acquittal.
- If any adjustments have been made to your acquittal you will have the opportunity to clarify decisions and request a review of the adjustment.
- If there are any non-compliance issues, ECE will contact your service.

6. Appeals

If your organisation is seeking a review of an acquittal decision by ECE a formal request should be made to:

Early Childhood Education

Director, Programs and Strategic Projects
NSW Department of Education Locked Bag 53,
Darlinghurst NSW 1300

Any formal request will be acknowledged in writing within five days of receipt.