

UNSW Accounting Procedure	
<b>Linked UNSW Policy</b>	Provisions and Employee benefits
<b>Responsible Officer</b>	Director, Corporate Finance and Advisory Services and Shared Services
<b>Contact Officer</b>	Senior Group Statutory Reporting Manager, Corporate Finance and Advisory Services
<b>Review</b>	Every year
<b>Effective Date</b>	31 December 2013

### 1. Objective

This procedure outlines the process to account for long service leave (LSL) expense determined in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

### 2. Basis of Accrual

UNSW's (the University's) liability for long service leave is recognised in the provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### 3. Accounting procedure

#### 3.1 HR system: Monthly Entitlement

With each pay run, the HR system will generate the LSL expense and provision, at a departmental level \*, at the following rate:

$\text{Latest pay (per pay run)} \times 4.5 \% \text{ for Uplift factors listed in 3.3}$
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The LSL entitlement will be accrued to the following LSL expense and provision accounts:

- **LSL expense:** A/c 4004- Salary Academic LSL oncosts; A/c 4104 – Salary General LSL oncosts; A/c 4204- Salary General IT LSL oncosts
- **Provision (Current):** A/c 8632- Provision LSL Contribution (charged at 'Central' level- to 'SALADMIN')

\*For staff on long service leave, the expense will be initially charged at 'Central' level, then reclassified to departmental level by manual journal by Decision Support and Financial Planning.

### **3.2 HR system: Long Service Leave taken**

When LSL is taken by an employee, the HR system will charge to expense accounts at 'Central' level, then the HR system journal will reallocate from expense accounts to the provision account 8539 (Provisions LSL Payment P/Tax). The business units will not be charged.

### **3.3 Corporate Finance and Advisory Services: Annual Actuarial valuation**

The LSL liability calculation template provided by the actuaries, considers the following factors, in projecting the liability:

- Wage inflation
- Increase in nominal liability (driven by HR report on LSL accrual)
- Interest & inflation driven discount rates
- Expected rates of death, disablement and resignation based on the age group of individual employees

The estimate of 4.5% (used for charging LSL entitlement as per 3.1), incorporates the impact of the aforesaid uplift factors that are considered in the actuarial valuation.

Corporate Finance and Advisory Services will coordinate the actuarial valuation in December to obtain the closing balance of LSL liability for the year. The excess/ deficit in the balance of the LSL provision as at 31 December, attributable to the actuarial valuation, will be charged to 'Central' instead of the business units through various LSL expense accounts. The provision balance will be adjusted at a central level, using the Balance Sheet account 8507 (Provisions LSL O/Balance).

### **3.4 Corporate Finance and Advisory Services: Reconciliation**

The HR report generated for LSL accrual will be reviewed and compared to the GL provision balance on a monthly basis. The uplift factors will be reviewed to ensure their appropriateness for each reporting period. Business Units are not required to reconcile LSL balances. However, Business Units need to review and monitor outstanding leave entitlement balances as detailed in 4.1.

## **4. Operational aspects**

### **4.1 Business Unit Managers: Monitoring LSL balances**

On a monthly basis, Faculty, School and Divisional Unit Managers are expected to monitor and actively manage long service leave balances of their staff.

#### **4.2 Transfer of staff from other Universities:**

The relevant business unit will be charged for the monthly LSL entitlement expenses from the date of transfer. The corresponding accumulated LSL balance taken over on behalf of the employee will be added to the existing provision balance and not charged to the business unit. However, future adjustments of any carried forward LSL balance of the transferred employee will be charged to the business unit to which the employee transferred to.

#### **4.3 Transfer of staff within various business units in UNSW:**

The business unit will be charged for the LSL entitlement only from the date of transfer of the employee.