

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

1. Objective

This procedure outlines the process to account for recreation/annual leave (AL) determined in accordance with AIFRS, at a departmental level in NS Financials.

2. Basis of Accrual

UNSW's, (the University's) liability for AL is expected to be settled within 12 months of the reporting date, and is recognised as a current liability under provisions within the Statement of Financial Position. The provision is recognised with respect to the employees' services up to the reporting date, and is measured at the amount expected to be paid when the liabilities are settled (undiscounted if settled within 12 months of the reporting date).

3. Accounting procedure

3.1 HR system: Monthly Entitlement

With each pay run, the HR system will generate the AL expense at a departmental level and provision at 'Central' level, at the following rate:

AL earned (hours) by employee for pay period x Pay rate x Uplift factors listed below

- (i) Expected pay rise for next year of 3% (assumption: AL earned in the current period is most likely to be settled in the following year.)
- (ii) Workers compensation – 0.20% of current salary (+ 3%)
- (iii) In service Super- 17% for Academic & 17% for General staff (+ 3%)
- (iv) Payroll tax (on salary and super) - 5.45% NSW & 6.85% (ADFA) (+ 3%)

Illustrative example:

Description	Calculation	Amount*
AL accrued hours (fortnight pay)	6.15 hours	
Current pay rate	\$40 per hour	
Simple accrued AL		\$246.00
Uplift for annual rise	246 * 103%	\$253.38
Workers' Compensation	253.38 * 0.20%	\$ 0.51
Superannuation (General staff)	253.38 * 17%	\$ 43.08
Payroll tax (NSW)	(253.38 + 43.08) * 5.45%	\$ 16.16
Accrued entitlement		\$313.13 (27.2% ↑)**

* Rounded to 2 decimal places.

** (313.13-246)/246 = 27.2%

The AL entitlement will be accrued to the following expense and provision accounts:

- **AL provision expense (P&L):** A/c 4062 - Academic A/Leave Oncost; A/c 4162 - General A/Leave Oncost; A/c 4262 - General IT A/Leave oncost
- **AL provision (Balance Sheet):** A/c 8514

*For staff on 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: Annual leave taken

When AL is taken by the employees, the HR system will charge to expense accounts at 'Central' level, then the system journal will reallocate from expense accounts to the provision account by the amount of leave actually paid and the corresponding oncosts factors. The business units will not be charged.

3.3 Annual adjustment for unsettled annual leave entitlements

Corporate Finance and Advisory Services may make adjustments at a 'Central' level to the value of AL provision balance as necessary to meet AIFRS requirements not otherwise met from the application of this procedure.

3.4 Corporate Finance and Advisory Services: Reconciliation

For the University in total, the HR report generated for AL accrual will be reviewed and agreed to the GL provision balance on a monthly basis by Corporate Finance and Advisory Services. Any material variance shall be investigated. Business Units need to review and monitor outstanding leave entitlement balances as detailed in 4.1.

3.5 Pay adjustments

Where adjustments are made in the payroll system for back payment, new starters or other extraordinary payments, applicable AL entitlements may also need to be manually adjusted to ensure correct closing AL provision amount is arrived at for the particular employee. Twice a year, at June and December month end, Corporate Finance and Advisory Services may process manual adjustments to annual leave to address these types of items. Such adjustments are not expected to be significant in volume or value. Business units will incur the related charge or benefit from these types of adjustments.

4. Operational aspects

4.1 Business Unit Managers: Monitoring AL balances

On a monthly basis, Faculty, School and Divisional Unit Managers are expected to monitor and actively manage annual leave balances of their staff. In so doing, business unit managers can avoid additional charges related to settling accumulated AL entitlement balances at higher future pay rates.

If all staff within a business unit take their current year's entitlement in the current year, the business unit will be charged with 52 weeks of salary costs which includes the four weeks of AL entitlement for that year.

If no leave is taken by business unit staff but is accumulated into next year, a business unit will incur 56 weeks of salary costs and on-costs in the current year.

4.2 Transfer of staff from other Universities

The relevant business unit will be charged for the fortnightly AL entitlement expenses from the date of transfer. The corresponding accumulated AL 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 AL 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 to which an employee has transferred will be charged for the AL entitlement only from the date of transfer of the employee.