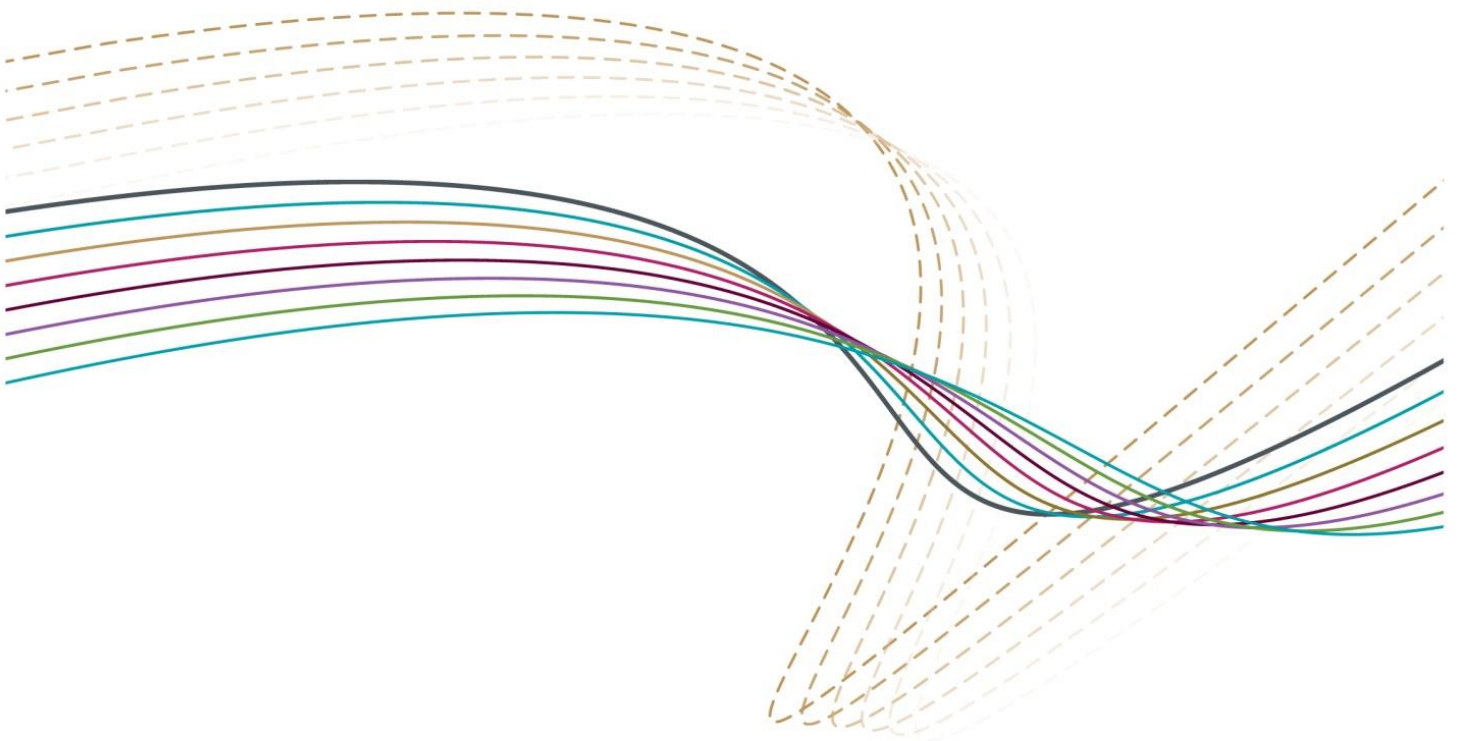


QUEENSLAND TREASURY

Financial management tools

January 2020



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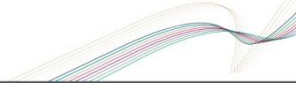
Translating and interpreting assistance

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1.0 Introduction

All Queensland departments and statutory bodies must comply with the *Financial Accountability Act 2009* (the FA Act), the *Financial and Performance Management Standard 2019* (the FPMS) and the *Financial Accountability Regulation 2009* (the Regulation).

This legislation imposes a number of obligations on accountable officers and statutory bodies, including:

- Achieving reasonable value for money by ensuring the operations of the department or statutory body are carried out efficiently, effectively and economically
- establishing and maintaining appropriate systems of internal control and risk management
- ensuring financial statements are prepared, certified, and tabled in Parliament, and
- undertaking planning and budgeting appropriate to the size of the department or statutory body.

The legislative framework is supported by the Financial Accountability Handbook (the Handbook) which agencies must have regard to when implementing, maintaining and reviewing their internal controls and processes to ensure compliance with their obligations under the legislation.

The Financial Management Tools (the Tools) do not form part of the Handbook, and have been prepared to provide **guidance only**.

The Tools contain a number of examples and consideration points to assist agencies in meeting their obligations under the financial management legislation and the Handbook. It is recognised that agencies may have developed processes or tools specifically for their agency's needs and their use should be continued. The tools included in this document may be modified to meet agency needs and requirements.

Agencies may have built many of the controls discussed in the Tools directly into their financial information management systems. Provided the process is efficient and staff do not share their passwords/access, this is an effective way of implementing internal controls.

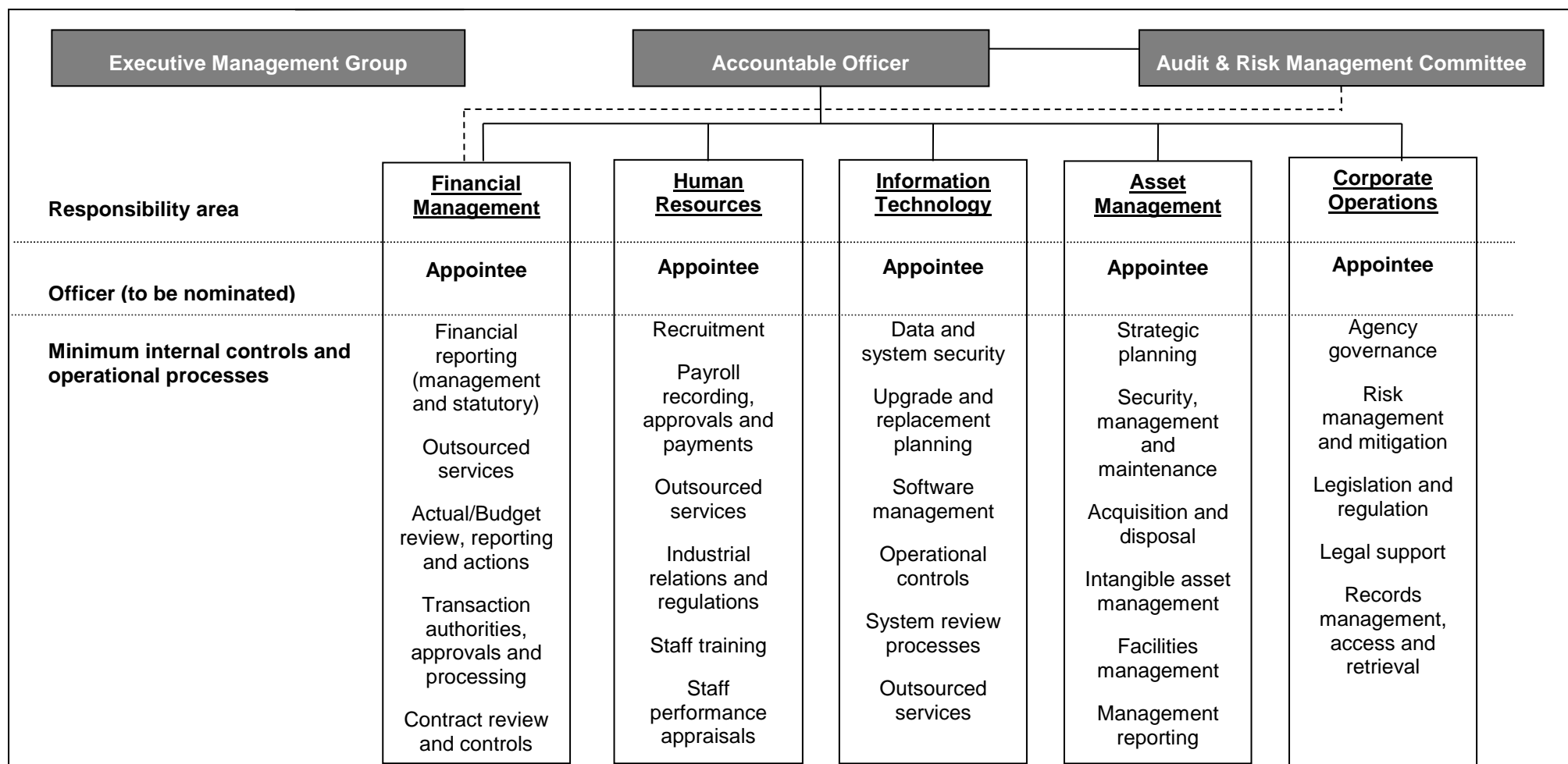
For ease of reference, the financial management tools are cross-referenced to Information Sheets (IS) in the Handbook.

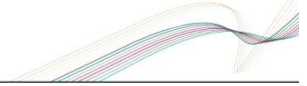
Agencies are encouraged to advise Treasury of additional financial management tools available for incorporation into this document. Any feedback or suggestions may be emailed to fmhelpdesk@treasury.qld.gov.au.

If you have any questions concerning the financial management legislation, the Handbook or the Tools, please contact your relevant Treasury Analyst in Queensland Treasury. Alternatively, questions may be emailed to fmhelpdesk@treasury.qld.gov.au.

2.0 Internal Control Operational Processes (IS 2.3)

Agency management plays an essential role in maintaining a strong and effective internal control environment. An agency's system of internal control may be documented at varying structural levels, such as at whole-of-agency, by risk area, or by responsibility level. The following diagram gives an example of how functions and responsibilities may be allocated within an agency with officers nominated to provide assurance to the accountable officer on the various controls and processes within the agency.

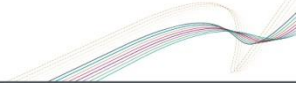




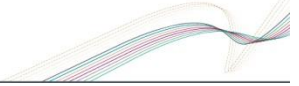
3.0 Information and Communication Technology (IS 3.3)

The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's information and communication technology systems. The points may not be applicable to all agencies' operations, and should be considered in light of individual agency circumstances. The points for consideration are in addition to basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Agency internal control processes and operations	<ul style="list-style-type: none"> ⇒ Do agency staff have sufficient knowledge of the systems and processes? ⇒ Are segregation of duties and authorisations maintained? ⇒ Have processes been established to validate transaction processing? ⇒ Do effective audit trails exist to support document or transaction processing? ⇒ Are exception and transaction reports reviewed and actioned, as needed? ⇒ Is input and output data reconciled? ⇒ Is there a process to ensure internal controls are updated following a system change? ⇒ Are regular reviews of the control processes conducted and their findings acted on?
Information reporting	<ul style="list-style-type: none"> ⇒ Does the information system have an effective and useful reporting framework built into it? ⇒ Does the agency have processes in place to identify material security breaches or unusual transactions (may be a manual process or automated through the agency's information system)?
Application controls	<ul style="list-style-type: none"> ⇒ Is unauthorised use of agency ICT applications and data prevented by use of appropriate security measures? ⇒ Are ICT users restricted to use of properly licensed copies of application software? ⇒ Are source codes protected from unauthorised access and manipulation? ⇒ Are records maintained to track licences purchased, used and upgrades applied? ⇒ Does the agency conduct systems audits to identify unauthorised or unlicensed software?
Security	<ul style="list-style-type: none"> ⇒ Is there alignment between agency security processes and the Queensland Government <i>Information Security Policy</i>? ⇒ Do security standards extend to cover mobile and portable devices such as laptops, tablets, mobile phones, PDAs, USBs, etc? ⇒ Are operational, backup and recovery processes in place and documented? ⇒ Are agency staff briefed/trained on ICT security and regularly reminded of their responsibilities in this regard? ⇒ Is staff access to information based on a 'need to know' basis? ⇒ Are passwords changed regularly, for example, on a monthly basis?



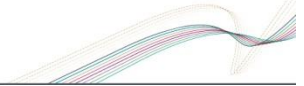
Risk/Process	Points for Consideration
	<ul style="list-style-type: none"> ⇒ Are Malware risks appropriately managed and staff trained to identify the risk? ⇒ Is staff usage of systems monitored?
Management and administrative review	<ul style="list-style-type: none"> ⇒ Are ICT key performance indicators regularly reviewed, such as <ul style="list-style-type: none"> ○ turnaround times achieved? ○ error rates within agreed parameters? ○ processing and reporting times met? ○ data logs maintained? ○ error reports analysed? ⇒ Is there an established process for proposed system changes? ⇒ Where changes to operational processes and internal controls are considered appropriate, have internal and external audit, CFO and other stakeholders been informed? ⇒ Has an agency-wide ICT policy been developed and communicated to all users, internal and external?
Governance	<ul style="list-style-type: none"> ⇒ Are there effective ICT and information management governance mechanisms in place? ⇒ Has a chief information officer (or equivalent) been appointed or has the responsibilities of the chief information officer been assumed by another officer in the Agency? ⇒ Is a standing ICT committee required, and if so, has it been appointed? ⇒ Does the ICT committee meet on a regular basis to assess the performance of the ICT function, and implement remedial actions where appropriate? ⇒ Does the ICT committee use accepted meeting and committee operational practices in the performance of its functions? ⇒ Are the findings from reviews acted upon? ⇒ Are ICT and information management activities aligned with agency goals and delivery of agencies objectives and services?



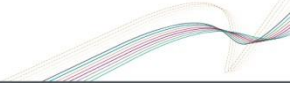
4.0 Revenue Management (IS 3.5)

The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's revenue controls and processes. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Fees and charges	⇒ Do agency fees and charges reflect public sector management and governance requirements, such as: <ul style="list-style-type: none"> ○ applicable Government policies (for example, <i>Principles for Fees and Charges</i> and financial circulars)? ○ clear statements of basis for levying fees and charges? ○ open and transparent processes when setting fees and charges? ○ application of approved indexation rules? ○ application of the appropriate costing methodology in the calculation of fees and charges?
Internal controls and processes	⇒ Have internal controls and processes been developed and implemented to ensure: <ul style="list-style-type: none"> ○ the use of system generated document and transaction reference numbers, and where necessary, pre-numbered accountable documents? ○ the issue of pre-numbered receipts (electronic/paper) on receipt of funds? ○ that funds received via mail are opened by two agency staff? ○ the implementation of a system to record details of moneys received in a timely manner? ○ timely completion of control account reconciliations, such as bank, debtors and suspense accounts, with immediate follow up of outstanding reconciling items? ○ minimising the processing of unmatched remittances which may result in unclaimed moneys?
Recording transactions from external sources	⇒ Have appropriate internal controls and processes been implemented to accurately account for funds received from: <ul style="list-style-type: none"> ○ external agencies, such as Australia Post? ○ field staff for the sale of goods or services, or fees received (for example, national park entry fees)? ○ the sale of agency assets, or other transactions that are outside the normal course of an agency's business?
Accounting for revenue	⇒ Have appropriate internal controls and processes been implemented to ensure that: <ul style="list-style-type: none"> ○ correct pricing has been calculated and applied to goods and services supplied to agency customers? ○ funds have been correctly accounted for, processed accurately and on a timely basis? ○ post-dated cheques are recorded and banked on agreed date?
Manual banking functions	⇒ Have internal controls and processes been implemented that require: <ul style="list-style-type: none"> ○ approval of daily revenue reconciliations prior to deposits being made? ○ banking to be performed on a regular basis?



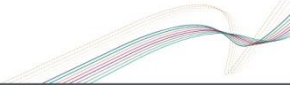
Risk/Process	Points for Consideration
	<ul style="list-style-type: none"> ○ an assessment of staff security when banking agency funds? ○ an assessment of the use of external armed courier services? ○ immediate follow up of shortages or discrepancies? ○ appropriate reporting of suspected losses?
Form of remittance	<p>⇒ Do agency internal controls and processes effectively account for the form of remittance, for example:</p> <ul style="list-style-type: none"> ○ cash received <ul style="list-style-type: none"> ▪ from agency counter transactions or external agency locations? ▪ by post? ▪ from an external agency (for example, Australia Post)? ○ cheques received <ul style="list-style-type: none"> ▪ from agency counter transactions or external agency locations? ▪ by post? ▪ from an external agency (for example, Australia Post)? ○ credit card transactions (as above)? ○ EFT/direct bank credits?
Location or function	<p>⇒ Do agency internal controls and processes effectively account for the locations or functions that are sources of agency revenue, for example:</p> <ul style="list-style-type: none"> ○ agency front offices? ○ remote locations, such as national parks, or special events? ○ external agencies, such as Australia Post? ○ credit card remittances? ○ bank statement entries?
Customer accounts	<p>⇒ Have appropriate controls and processes been implemented for customer account transactions such as the appointment, establishment or implementation of:</p> <ul style="list-style-type: none"> ○ a credit control officer? ○ credit control policies and terms of trade? ○ customer credit limits? ○ credit checking processes for new and existing customers? ○ processes for follow up on unpaid accounts, such as: <ul style="list-style-type: none"> ▪ review of aged trial balances? ▪ use of reminder letters on overdue accounts? ▪ authorities established for processing credits or write-offs? ▪ use of debt collectors to recover debts? ○ performance indicators to measure collection effectiveness? ○ mutually acceptable arrangements between agencies for prompt settlement of inter-agency debts? ○ credit reference and collection agencies to verify the credit worthiness of new and existing agency customers?
Gifts and benefits	<p>⇒ Have appropriate controls been implemented to ensure that agency staff comply with the Government policies with regard to gifts and benefits?</p>



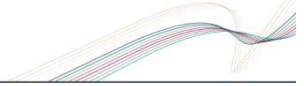
5.0 Expense Management (IS 3.6)

The following list contains suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's expense management controls and processes. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

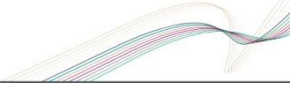
Risk/Process	Points for Consideration
Project commencement approval	<ul style="list-style-type: none"> ⇒ Are processes in place to ensure the requirements of the <i>Project Commencement Approval policy</i> (as approved by Cabinet) are complied with (applicable to departments only)?
Requisitions/tenders	<ul style="list-style-type: none"> ⇒ Does the agency have experienced officers to ensure requirements are correctly specified in requisition/tender documents? ⇒ Does the agency have processes to ensure compliance with the <i>Queensland Procurement Policy</i> (for example, to address circumstances in which tenders must be called, to ensure competitive and open tendering processes)?
Assessment of proposed expenditure	<ul style="list-style-type: none"> ⇒ Are alternative options considered to ensure the least expensive approach is adopted? ⇒ Are value for money factors considered prior to committing to expenditure (for example, considering whole-of-life and opportunity costs, fitness for purpose, quality and reliability)? (refer to <i>Information Sheet 1.5 Efficient, Effective, Economical and Value for Money</i>)
Receipt of goods/services	<ul style="list-style-type: none"> ⇒ Are there procedures to verify goods/services received against purchase orders? ⇒ Is there prompt follow-up of discrepancies between goods/services ordered and received? ⇒ Where applicable, are goods received recorded promptly in the inventory system? ⇒ Does the agency have procedures to effectively monitor and manage unfilled and part-filled orders? ⇒ Is there prompt follow-up of unmatched delivery dockets with orders?
Invoice payments	<ul style="list-style-type: none"> ⇒ Does the agency ensure payments are made to take advantage of any trade and other discounts? ⇒ Does the agency have systems and controls in place to ensure payments are made only for goods or services ordered/received? ⇒ Is there regular follow-up of unfilled and part-filled orders? ⇒ In the unique circumstances that payments are made by the agency in advance of receipt of goods or services, does the agency have controls to ensure the acquittal of these advances? ⇒ Does the agency have processes in place to record and track returns to suppliers and matching receipt of credit note payments for returns?
Procurement / payment method	<ul style="list-style-type: none"> ⇒ Have staff been provided with direction regarding when various procurement / payment methods (for example, purchase order or direct invoice or corporate card) should be used? ⇒ Has the agency considered the most efficient method of payment?
Corporate cards, including credit, fuel,	<ul style="list-style-type: none"> ⇒ Are corporate cards only issued where there is evidence of a business need, and is the ongoing need regularly assessed?



Risk/Process	Points for Consideration
toll, phone and cabcharge cards	<ul style="list-style-type: none"> ⇒ Are appropriate transaction and monthly limits for individual cardholders imposed and regularly reviewed? ⇒ Do all corporate card users undertake agency training on the use of corporate cards? ⇒ Are there monitoring procedures that ensure compliance with Government policies and the card provider's conditions of use? ⇒ Are there regular reconciliations of card transactions, with prompt follow-up of discrepancies and irregularities (for example, excessive use or unsupported charges)? ⇒ Does the agency have procedures to handle lost or stolen cards? ⇒ Does the agency ensure the prompt return and destruction of cards on termination of authority to use or cessation of user's employment with agency?
Purchase orders	<ul style="list-style-type: none"> ⇒ Does the agency use pre-numbered, sequential purchase orders, in either electronic or paper format, and is there prompt follow-up of missing orders? ⇒ Are there appropriate internal controls over the authorisation and issue of purchase orders? ⇒ Are purchase orders correctly prepared and approved by officers with appropriate financial delegation for the supply of goods and services?
Payment authorisations	<ul style="list-style-type: none"> ⇒ Are expense vouchers approved by at least two properly delegated officers? ⇒ Are there regular reviews of system exception reports?
Electronic payments	<ul style="list-style-type: none"> ⇒ Are EFT payments approved by properly delegated officers? ⇒ Does the agency reconcile payments with system/batch header totals (or approved invoices)? ⇒ Does the agency promptly follow up and resolve discrepancies/unusual transactions? ⇒ Are there controls to restrict access to change data on transfer files?
Cheque payments	<ul style="list-style-type: none"> ⇒ Has the agency considered alternative payment methods to cheque prior to deciding it is the most efficient method of payment? ⇒ Does the agency reconcile cheques with system/batch header totals (or approved invoices), and bank statement entries? ⇒ Are there procedures to manage cancelled or spoilt cheques? ⇒ Are 'manual' cheques signed by authorised officers only (at least two signatories)? ⇒ Is there adequate security over unused cheques and cheque signatory plates while not in use? ⇒ Does the agency prohibit 'bearer' cheques, 'cash' cheques, cheques signed in advance and cheques otherwise unsupported by appropriate documentation? ⇒ Are there processes for identifying and managing unrepresented cheques?
Vendor maintenance / monitoring	<ul style="list-style-type: none"> ⇒ Are there appropriate controls over vendor creation / maintenance, such as: <ul style="list-style-type: none"> ○ separation between officers assigned responsibility for approving the creation of a vendor in the agency's accounting system and the officers who actually create the vendor in the accounting system? ○ confirming legitimacy of the vendor, for example, from original documentation, ASIC searches, address searches? ○ amendments only made to vendor details based on written request from the vendor? ○ independent check of all modifications to source documentation? ⇒ Is there a process for the ongoing monitoring of vendor performance in terms of quality, quantity, timeliness and value for money?



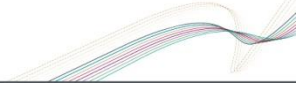
Risk/Process	Points for Consideration
	<ul style="list-style-type: none"> ⇒ Are regular reviews undertaken for duplicate or disused vendors, with appropriate follow-up procedures? ⇒ Are there strict controls over the use of one-time vendors? ⇒ Are there strict controls with the creation and use of employee vendors?
Delegations	<ul style="list-style-type: none"> ⇒ Are delegations documented and rigorously enforced? ⇒ Are checks (for example, spot checks) undertaken to ensure all documents are approved by the appropriate delegate? ⇒ Does the agency undertake regular reviews of its delegations, and update where necessary? (refer to <i>Information Sheet 3.4 Delegations</i>)
Grants and contributions	<ul style="list-style-type: none"> ⇒ Are payments only made in accordance with stated terms and conditions, and is there continuous monitoring to ensure that grant recipients are fulfilling the terms and conditions of the grant agreements? ⇒ Does the agency have systems to ensure compliance with the relevant Australian Taxation Office GST rulings?
Expense monitoring	<ul style="list-style-type: none"> ⇒ Are timely, relevant and reliable reports on agency expenses generated for reporting and monitoring purposes (for example, circulated to cost centre managers for confirmation and follow-up of discrepancies)?
Taxation	<ul style="list-style-type: none"> ⇒ Are processes adequate to ensure taxation obligations are met, for example GST, FBT? (refer to <i>Information Sheet 3.11 Tax Compliance Systems</i>)
Other legal and policy requirements	<ul style="list-style-type: none"> ⇒ Have appropriate controls been implemented to ensure that agency staff comply with the Government policies with regard to gifts and benefits? ⇒ Are processes in place to ensure special payments are recorded, pursuant to section 15 of the <i>Financial and Performance Management Standard 2019</i>? (refer to <i>Information Sheet 3.6 Expense Management Systems</i>) ⇒ Are processes in place to ensure the reporting requirements with respect to losses are complied with? (refer to sections 16 and 17 of the <i>Financial and Performance Management Standard 2019</i>) ⇒ Does the agency have systems to ensure compliance with the <i>Queensland Procurement Policy</i>, the <i>Competition and Consumer Act 2010</i>, and other whole-of-Government policies/guidelines?



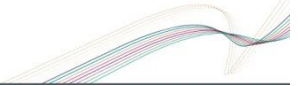
6.0 HR and Payroll (IS 3.7)

The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's HR and payroll controls and processes. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Legal compliance	<ul style="list-style-type: none"> ⇒ Is there adequate training of appropriate agency personnel on industrial relations, privacy and regulatory policies? ⇒ Is there an ongoing review and update of agency policies and procedures for compliance with applicable statutory, regulatory and other requirements (for example, equal employment opportunity, taxation, industrial awards, etc)?
Recruitment and retention of qualified personnel	<ul style="list-style-type: none"> ⇒ Do personnel screening and recruitment practices exist that ensure appointments are only on merit, qualifications and suitability for position sought (including criminal background checks)? ⇒ Do recruitment criteria and position descriptions provide sufficient benchmarks to measure employee performance? ⇒ Is there an assessment of personnel needs as part of the ongoing human resource planning process? ⇒ Do only appropriately skilled and qualified staff undertake relieving duties? ⇒ Is there an assessment of employee performance in terms of individual personal performance evaluation and review processes? ⇒ Do the recruitment processes comply with relevant legislation and policies (for example, equal employment opportunity policies)?
Appointment, administration and termination processes	<ul style="list-style-type: none"> ⇒ Are new staff only engaged by a person with delegated authority? ⇒ Are there processes for prompt advice of terminating/transferring employees? ⇒ Is there maintenance of secure records and written authorisation for all employee appointments, promotions, transfers and terminations, including in respect of casual and contracted employees? ⇒ Is there regular review of accuracy of personnel records, for example, confirmation of physical existence of employees by managers? ⇒ Are there processes for termination issues, including payroll deletions, removal of ICT access and security and ensuring the return of agency resources (for example, keys, entry and identification cards, corporate cards, mobile phones, laptops and iPads)?
Payroll variations	<ul style="list-style-type: none"> ⇒ Are there adequate records for payroll variations and have all variations been appropriately authorised, for example, payroll deductions authorised by employee, new increments and allowances? ⇒ Does the system provide notification of pay variations over/under defined limits? ⇒ Are there adequate controls over manual pays, for example, for new starters? Are there adequate timekeeping and supervisory processes covering, for example, shiftwork, flexible working arrangements, overtime, etc? ⇒ Are there systems in place to ensure special allowances are appropriate?
Employee leave	<ul style="list-style-type: none"> ⇒ Is there maintenance of secure records and written authorisation for all leave taken and reconciliation with payroll records?



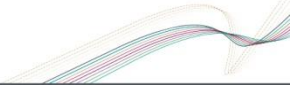
Risk/Process	Points for Consideration
	⇒ Is there a policy regarding the non-accumulation of annual leave in excess of more than two years' entitlements?
Payment of payroll	⇒ Are reconciliations prepared and checked? For example: <ul style="list-style-type: none"> ○ gross and net pays with employee payments and payroll deductions. ○ interfaced transactions between financial management and payroll systems (where not integrated) to ensure all transactions are correctly posted to the general ledger. ○ verification that direct bank deposits have gone through to the correct accounts (as per employee records) and for the correct amounts. ⇒ Is there prompt follow-up of errors or exception messages and reports? ⇒ Are adequate security procedures in place for cheque, cash pays and direct bank deposits? ⇒ Are processes in place to promptly identify and recover any salary overpayments?
Taxation	⇒ Are adequate processes in place to ensure all taxation obligations are met, for example, payroll tax, fringe benefits tax?
HR IT systems	⇒ Do staff have adequate knowledge of the relevant systems? ⇒ Are adequate daily logs kept? ⇒ Is there adequate independent review of information entered into the HR IT systems? ⇒ Is access to the HR IT systems restricted to authorised personnel only?
Privacy issues	⇒ Is access to payroll and personnel records restricted to authorised persons only?
End of year procedures	⇒ Are reconciliations promptly prepared, that is, payment summaries to payroll records? ⇒ Are payment summaries promptly issued? ⇒ Are there procedures to deal with unclaimed payment summaries?



7.0 Property, Plant and Equipment (IS 3.8)

The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes necessary for the effective management of an agency's plant, property and equipment (PP&E). The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are additional to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

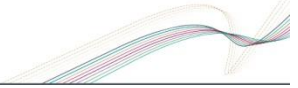
Risk/Process	Points for Consideration
Asset planning	<ul style="list-style-type: none"> ⇒ Have you considered the <i>Total Asset Management Plan Framework</i> for your agency? ⇒ Does the asset plan link with other plans of the agency (for example, strategic plan, operational plan, maintenance management plan, human resources plan)? ⇒ Does the asset plan integrate with the agency's budget? ⇒ Does the asset plan consider the objectives of Government? ⇒ When planning for the purchase of assets, are the whole-of-life costs considered, including ongoing maintenance? ⇒ Is consultation undertaken with other agencies, where appropriate (for example, to ensure coordination of capital investment)? ⇒ Does the agency consider the performance of assets against the original planned performance? ⇒ Are risks (for example, construction cost risk, contractor-default risk) identified and addressed?
Asset acquisitions	<ul style="list-style-type: none"> ⇒ Are evaluations prepared before acquiring, maintaining or improving significant assets? ⇒ Do the evaluations consider the <i>Project Assessment Framework</i>? ⇒ Does the agency comply with the <i>Queensland Procurement Policy</i>? ⇒ Does the agency comply with the <i>Project Commencement Approval Policy</i>? ⇒ Does the agency have processes to ensure correct approvals are obtained (for example, Governor-in-Council, Minister, delegated agency officer)? ⇒ Are acquisition finance options assessed to ensure value-for-money is obtained (for example, purchase, lease, hire, public-private partnership)?
Asset recognition and recording	<ul style="list-style-type: none"> ⇒ Does the agency have processes to ensure compliance with the <i>Non-Current Asset Policies for the Queensland Public Sector</i>? ⇒ Where appropriate, do adequate controls exist to enable the separate identification of assets controlled and those administered on behalf of the State? ⇒ Does the agency have adequate systems for purchases that do not meet the recognition threshold but require physical control due to susceptibility to theft or loss (for example, maintenance of a portable and attractive items register)? ⇒ Are the work-in-progress accounts regularly reviewed, and accurately transferred to correct PP&E accounts once assets have been completed and are in a condition and location necessary for it to be capable of operating in the manner intended by management? ⇒ When initially recording assets, are processes in place to ensure ease of stocktake in the future (for example, bar codes, location, serial numbers)?



Risk/Process	Points for Consideration
Revaluations	<ul style="list-style-type: none"> ⇒ Are revaluations undertaken with sufficient frequency to ensure that revalued asset carrying values do not materially differ from fair value in accordance with mandated policies and Australian Accounting Standards? ⇒ Are processes sufficient to ensure revaluation increments and decrements are correctly recorded?
Depreciation	<ul style="list-style-type: none"> ⇒ Does the agency have systems to determine and review residual values, useful lives and depreciation methods of PP&E on an annual basis? ⇒ Does the agency have systems to ensure the correct calculation of depreciation? ⇒ Are significant components of complex assets depreciated separately? ⇒ Are residual values reassessed upon revaluation of the assets?
Maintenance	<ul style="list-style-type: none"> ⇒ Does the agency have systems to ensure assets are appropriately maintained (for example, use of an annual maintenance schedule)?
Disposals and write-offs	<ul style="list-style-type: none"> ⇒ Does the agency undertake periodic assessments to identify under-utilised, idle, redundant or obsolete assets? ⇒ Are disposal and write-off processes clearly documented? ⇒ Are appropriate procedures followed in disposing of assets (for example, auction, sale by tender, etc)? There is information available on the <i>Crime and Corruption Commission</i> website. ⇒ Are assets only disposed of or written off with approval from an appropriately delegated officer? ⇒ Are asset registers updated to reflect the disposal, transfer or write-off of assets?
Disposal of low value, surplus and portable items	<ul style="list-style-type: none"> ⇒ Are there procedures in place to prevent the misuse or misappropriation of low value, surplus and portable items? ⇒ Are items for disposal correctly authorised? ⇒ Does the disposal of low value, surplus or portable items maximise the benefit to the State, that is, through cost minimisation, sale or donation? ⇒ Is all confidential and secure information held on computers deleted prior to disposal? (Refer also to <i>Information Sheet 3.3. Information and Communication Technology</i>)
Physical security	<ul style="list-style-type: none"> ⇒ Are assets securely held, with access restricted outside of normal working hours? ⇒ Does the agency have a policy regarding the private use of Government assets?
Stocktakes	<ul style="list-style-type: none"> ⇒ Do asset stocktake instructions provide for the following: <ul style="list-style-type: none"> ○ confirmation of assets recorded in agency registers? ○ confirmation of the location of assets recorded in agency registers? ○ assessment of the condition of assets sighted? ○ assessment of asset values, in line with asset impairment requirements? ⇒ Are stocktakes regularly undertaken to physically verify the existence of assets? ⇒ Has consideration been given to undertaking asset stocktakes on a progressive basis throughout the year? ⇒ Are cost-effective techniques used to assist in the stocktake process (for example, barcoding)? ⇒ Do independent officers undertake the stocktake process? ⇒ Are discrepancies and irregularities promptly followed up and, where appropriate, recorded as required under s.16 and s.17 of the <i>Financial and Performance Management Standard 2019</i>? ⇒ Are asset registers updated to record the results of asset stocktakes (for example, sighting, condition, location, valuation and write-offs of assets)?



<i>Risk/Process</i>	<i>Points for Consideration</i>
	⇒ Have asset write-off processes been developed and implemented, including limiting the authorisation of write-offs only to appropriately delegated authorities?



8.0 Evaluating and Reviewing Significant Assets (IS 3.8)

The Financial and Performance Management Standard 2019 (the Standard) provides that agencies must establish an asset management system and manage its assets in accordance with the asset management system. Section 18(2) of the Standard requires agencies to: conduct an evaluation before acquiring, maintaining or improving the significant asset, and review the performance of the completed significant asset to ensure the original objectives in acquiring, maintaining or improving the asset were met. The discussion below is designed to assist agencies meet their obligations with regards to undertaking these evaluations and reviews.

Significant asset

The term 'significant asset' is not defined in the Standard. It is the responsibility of each agency to determine (and document) what a significant asset is in their particular circumstances. For example, a large body may consider the upgrading of 50 computers as significant, while a small registration Board with minimal assets may consider the acquisition of a single computer as significant.

It should be noted that identifying an asset as 'significant' in terms of the Standard is intended to enhance accountability in terms of decision making and effectiveness of the asset.

The Financial Accountability Handbook (*Information Sheet 3.8 Property, Plant and Equipment Systems*) provides factors an agency may consider when determining whether an asset is significant for the agency. They may not necessarily be linked to the accounting recognition concepts and principles.

Purpose of the evaluation

The primary reason for doing an evaluation is to determine whether the capital investment necessary to acquire, maintain or improve a significant physical asset is appropriate. The evaluation should assess both financial and non-financial factors. Agencies may, depending on the circumstances and complexity of the asset, use the evaluation as a decision making tool in the approval process for acquiring, maintaining or upgrading the asset.

The purpose of the evaluation is to:

- capture how the agency will function both with and without the asset, therefore balancing current and future service delivery needs with limited available resources
- explain how the asset is expected to meet the needs of the agency
- outline how the performance of the asset will be measured
- provide information about the prioritisation of this asset against other agency priorities in terms of agency strategic, operational and, if applicable, asset or other plans, and
- provide adequate documentation or audit trail as to why the asset was acquired, maintained or improved.

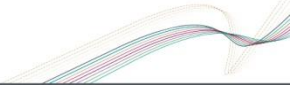
The evaluation

While the format and content of the evaluation is at the discretion of each agency, all evaluations should be clear, concise and demonstrate the value the asset will bring to the agency. The complexity and level of detail in the evaluation will depend on the nature and type of asset. In some instances, consideration may need to be given to an agency's contingency plan for a 'fast-tracked' evaluation process where a significant asset needs to be replaced urgently (that is, where a significant asset is destroyed and the agency needs to replace it urgently to be able to continue to provide services).

As required under section 18(4) of the Standard, departments and statutory bodies must have regard to the *Project Assessment Framework* (PAF) in preparing evaluations concerning the acquisition, maintenance or improvement of significant assets.

The following elements should be considered and, if appropriate, included in the evaluation:

- Background
- Asset description
- Consideration of alternative options
- Financial considerations



- Risk assessment, and
- Performance criteria.

Background

The background provides context and describes how the asset will support the agency's strategic and/or operational plans and improve agency performance. It may explain:

- how the need for the asset was determined, that is, how it links to the agency's policy objectives
- how important and urgent it is
- why existing assets in their current form are not able to meet this need, and
- the objectives for acquiring, maintaining or improving the asset.

Asset description

This section provides a detailed description of the asset, including its purpose and how it will address the identified need (objective of the asset).

Consideration of alternative options

This section provides information about the alternative options that were considered, for example, upgrading an existing asset as opposed to maintaining it or replacing it with a new asset. It should include why each alternative option was not adopted, for example as a result of a cost benefit analysis and/or unacceptable associated risks.

Financial considerations

This section provides details of the financial requirements and impact (costs and/or potential savings) the asset will have on the agency.

It may provide information about the:

- financing options (how the asset will be paid for), for example, leasing as opposed to outright purchase, and include both capital and direct recurring costs over the economic life of the asset
- funding options (where the money will come from), for example, agency budget, Commonwealth, and/or other state agencies, and
- related incremental budgetary implications, for example, increased depreciation and/or the cost of additional staff, training and operational costs.

Risk assessment

The risk assessment identifies the risks and consequences of both proceeding and not proceeding with the asset. It may:

- list any assumptions that form part of the risk assessment
- describe how the identified risks will be minimised and managed
- consider the impact on other projects, initiatives and resources, and
- evaluate any legislative and/or Government policy requirements, for example, an environmental impact assessment.

Performance criteria

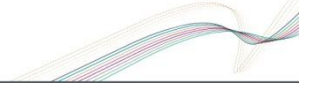
This section provides the criteria that will be used to later review the performance of the asset (that is, whether the objectives for acquiring, maintaining or improving the asset were met). The criteria should:

- reflect the purpose and/or objectives of the asset
- be meaningful to stakeholders and decision makers, and
- allow for accurate and reliable measurement by available resources.

The review

The Standard requires a review of the performance of completed significant assets. The issue of when the asset is 'completed' will depend upon the individual asset. Generally an asset will be considered 'complete' once the acquiring, maintaining or improving has been completed (that is, the asset is operating as intended).

The timing for the completion of the review will depend upon the performance criteria established during the evaluation stage. The performance criteria may necessitate the review to occur at the completion date or at a later date once the asset is operational. Alternatively, they may require the preparation of several reviews. For example, an agency may decide to build a new sports stadium based on performance criteria which include:



1. the stadium is built for less than \$x
2. the stadium is ready for use for the first cricket game of the season
3. the stadium has seating for 60,000 people
4. raising \$x in private sector sponsorship during the first year of operation, and
5. a minimum of x outdoor concerts to be held in the first year of operation.

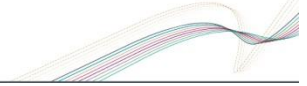
Based on the above criteria, the asset could be reviewed based on the first three criteria immediately upon completion of the stadium. However, the last two criteria would need to be assessed at the end of the first year of operation.

In addition to assessing whether the objectives of the asset are being met, management may also consider it beneficial for the review to consider broader factors, such as:

- whether the risks associated with the asset are effectively managed
- whether the contribution it makes to the agency's service delivery provides value for money, and
- the cost effectiveness of the asset (for example, its benefits outweighs its cost).

Treasurer copy

The Treasurer may ask an agency to supply a copy of the evaluation or review of the asset. In terms of section 18(5) of the Standard, agencies must supply a copy of the evaluation or review to the Treasurer as soon as practicable after receiving the request from the Treasurer.



9.0 Asset Management (IS 3.9)

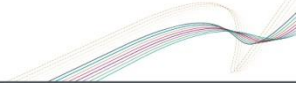
The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's asset management functions. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Cash and cash equivalents	<ul style="list-style-type: none"> ⇒ Are timely and reliable cash flow forecasts prepared and regularly provided to and reviewed by management? ⇒ Are bank reconciliations prepared at least monthly, for each of the agency's bank accounts, by an officer independent of cash receipt and payment processes? ⇒ Are bank reconciliations independently checked? ⇒ Is petty cash held securely, and balanced and reimbursed regularly? ⇒ Does the agency have a policy for the short-term investment of surplus cash? (applicable to some Statutory Bodies with appropriate approvals) ⇒ Are unclaimed moneys sent to the Public Trust Office Unclaimed Moneys Fund?
Receivables	<ul style="list-style-type: none"> ⇒ Has the agency developed a credit policy and a debtor management policy? ⇒ Are invoices/statements promptly sent to customers? ⇒ Does the agency have a policy for issuing credit notes? ⇒ Are aged debtors regularly followed up?
Inventory	<ul style="list-style-type: none"> ⇒ Does the agency have an appropriate inventory system to control movements of stock? ⇒ Is inventory securely and appropriately stored, with access restricted to authorised personnel? ⇒ For saleable inventory, is there an approved pricing list? ⇒ Is a stocktake of inventories undertaken regularly by at least two staff independent of the inventory management function? ⇒ Are queries resulting from stocktakes investigated promptly?
Loans and advances	<ul style="list-style-type: none"> ⇒ Where there is no explicit power for the agency to lend monies, has a Treasurer approval been obtained prior to implementing a lending strategy? ⇒ Are processes in place to verify that loans are being used for the purpose provided? ⇒ Are there processes to reconcile payments received to the outstanding interest and principal payments for specific loans? ⇒ Are there processes to follow up aged debtors and manage financial risks?
Derivative Transactions	<ul style="list-style-type: none"> ⇒ When an operational risk mitigation strategy includes consideration of a derivative transaction, has the <i>Derivative Transactions Policy Guidelines</i> been applied? ⇒ Has consultation with your agency's Treasury Analyst occurred early in the process of considering a derivative transaction? ⇒ Have the appropriate approvals (eg. Treasurer) been obtained to undertake the derivative transactions? ⇒ Is there a process in place to report to the accountable officer and/or Minister on the effectiveness of the derivative transaction?
Investments	<ul style="list-style-type: none"> ⇒ Does the agency have an approved investments policy? ⇒ Are titles to investments stored in a secure place, for example, in a fireproof safe or at a bank?



Risk/Process	Points for Consideration
	⇒ Does the agency have processes to ensure that the Treasurer's approval is obtained prior to investing or forming companies (refer sections 87 to 88A of the <i>Financial Accountability Act 2009</i> and sections 42 to 52 and 60A of the <i>Statutory Bodies Financial Arrangements Act 1982</i>)?

Refer also to the Points of Consideration provided with respect to Revenue.



10.0 Liabilities (IS 3.10)

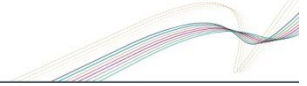
The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's liability management processes. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Suppliers	<ul style="list-style-type: none"> ⇒ Does the agency have in place appropriate processes, such as: <ul style="list-style-type: none"> ○ review reconciliations of control accounts and supplier accounts? ○ agreement of general ledger control totals with subsidiary ledger or itemised listing of creditors? ○ review and follow up of aged creditors listing for unpaid accounts? ⇒ Have processes been developed and implemented to ensure that end of period adjustments are: <ul style="list-style-type: none"> ○ able to be substantiated? ○ approved prior to entry into agency accounts? ⇒ Have appropriate internal controls and processes been implemented that identify revenues received in advance of delivery of services, or held on behalf of another agency?
Clearing accounts	<ul style="list-style-type: none"> ⇒ Have appropriate internal controls and processes been implemented to ensure that: <ul style="list-style-type: none"> ○ clearing accounts are reconciled on a regular basis? ○ unidentified or long outstanding items are followed up and cleared? ○ reconciliations are verified and authorised by an appropriate officer?
Employee entitlements	<ul style="list-style-type: none"> ⇒ Have appropriate internal controls and processes been implemented to accurately calculate entitlements owing to employees at end of period, such as: <ul style="list-style-type: none"> ○ staff wages payable? ○ annual and long service leave entitlements for agencies not included in annual and long service leave central schemes?
Borrowings	<ul style="list-style-type: none"> ⇒ Do funding submissions under the State Borrowing Program include: <ul style="list-style-type: none"> ○ new borrowings? ○ long term borrowings? ○ deferred borrowings? ○ operating leases (where the total net present value of base lease rental payments exceeds \$2 million)? ○ finance leases? ⇒ Where borrowings have been received, has responsibility for management and reporting of the borrowings been delegated to an appropriate agency officer? ⇒ Have statutory bodies complied with provisions contained in applicable enabling legislation and the provisions of the <i>Statutory Bodies Financial Arrangements Act 1982</i>?
Provisions	<ul style="list-style-type: none"> ⇒ Have provisions, such as obligations owing to the ATO, been correctly calculated, reviewed and approved?



Risk/Process	Points for Consideration
Leases	<ul style="list-style-type: none">⇒ Have the requirements pertaining to leasing arrangements under the State Borrowing Program been complied with?⇒ Have the requirements under the '<i>Leasing in the Queensland Public Sector - Policy Guidelines</i>' been complied with?
Worksheets, reconciliation and supporting documents	<ul style="list-style-type: none">⇒ Have appropriate internal controls and processes been implemented to ensure:<ul style="list-style-type: none">○ identification of liability accounts to be reconciled?○ that the timing, format and content of reconciliations is reviewed and approved?○ prompt follow up and explanation of outstanding or unreconciled items?

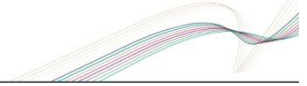
Refer also to the Points of Consideration provided with respect to Expense Management.



11.0 Taxation Compliance (IS 3.11)

The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes applicable to an agency's management of its taxation obligations. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

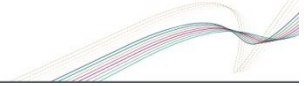
Risk/Process	Points for Consideration
Planning	<ul style="list-style-type: none"> ⇒ Are agencies: <ul style="list-style-type: none"> ○ budgeting sufficient funds to allow for taxation compliance reviews? ○ retaining and managing agencies' records as required, for example, under the <i>Income Tax Assessment Act 1936</i>? ○ implementing processes and controls to ensure that mandated returns are prepared accurately, and lodged in compliance with the legislation? ○ regularly reporting to management on agency taxation matters? ⇒ In the event of taxation audits, have the following been considered: <ul style="list-style-type: none"> ○ communication of the impending audit to agency management? ○ understanding the scope and duration of the audit? ○ allocating appropriate staff resources? ○ process for resolution of issues that may arise?
Documentation	<ul style="list-style-type: none"> ⇒ When documenting an agency's taxation management policies, have the following issues been considered: <ul style="list-style-type: none"> ○ are current legislative requirements included? ○ have agency transactions been examined in relation to taxation compliance obligations? ○ have reporting and lodgement dates been documented? ○ have agency specific taxation requirements been addressed? ○ have working examples been included to assist staff in the preparation of required forms and documents?
Training	<ul style="list-style-type: none"> ⇒ Has agency management considered the following when providing training to staff: <ul style="list-style-type: none"> ○ scheduling training sessions on a regular basis? ○ updating training material for legislative amendments and rulings? ○ giving worked examples to assist staff in implementing and complying with amended legislation and rulings?
Issues Log	<ul style="list-style-type: none"> ⇒ Have agencies established a taxation issues log which records: <ul style="list-style-type: none"> ○ date and description of the issue? ○ taxation type (for example, GST, FBT, PAYG or payroll tax)? ○ action required to address the issue? ○ assessed risk and issue resolution? ○ management acceptance and approval of issue resolution?



12.0 Commitments and Contingencies (IS 3.12)

The following list contains a number of suggested points for consideration by an agency when developing, implementing and reviewing internal controls and processes required to effectively manage an agency's commitments and contingencies. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The points for consideration are in addition to the basic internal controls that should be inherent in all systems, such as segregation of duties, appropriate delegations, independent or supervisor review of inputs, password and access security, etc. The questions below do not represent an exhaustive list of consideration points.

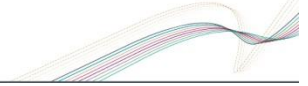
Risk/Process	Points for Consideration
Identification, recording and reporting of commitments	<ul style="list-style-type: none"> ⇒ Are procedures in place to recognise and record commitments? ⇒ Is agency management aware of commitments and possible implications for specific areas of agency operations (for example budget/finance teams, and potential timing and amount of funding required)? ⇒ Are there processes in place to regularly review and monitor commitments, and identify changes to those commitments? ⇒ Are reporting processes established that inform the accountable officer or statutory body of any factors that alter the commitment's outcome or its associated costs? ⇒ Are processes in place to ensure that approval and settlement of a commitment are in line with contractual obligations?
Identification, recording and reporting of contingencies	<ul style="list-style-type: none"> ⇒ Are processes in place for early identification and assessment of possible contingencies? ⇒ Are processes in place to record and report on existing and new contingencies? ⇒ Do processes alert agency management about new contingencies (or changes to existing contingencies), and potential impacts on specific areas of agency operations?
Management of commitments and contingencies	<ul style="list-style-type: none"> ⇒ Are risk assessment processes established which identify and manage potential impacts from either commitments or contingencies crystallising? ⇒ Are monitoring processes established? ⇒ Are appropriate reporting and information sharing processes in place to ensure the relevant officers of impacted areas are aware of the issue? ⇒ Have processes been established to record, review and manage ALL contractual obligations entered into by a department or statutory body? ⇒ Have processes been established to control execution, management and finalisation of performance guarantees or similar undertakings entered into by agencies?



13.0 Performance Management Systems (IS 3.13)

The following list contains a number of points for consideration by an agency when developing, implementing and reviewing internal controls and processes that underpin performance management systems which monitor and report on the effectiveness of the delivery of agency services and achievement of agency objectives. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The questions below do not represent an exhaustive list of consideration points.

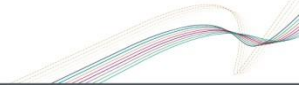
Risk/Process	Points for Consideration
Alignment of agency objectives with government objectives	<ul style="list-style-type: none"> ⇒ Is the performance management system linked to agency and work unit plans? ⇒ In developing performance managements systems, has the agency: <ul style="list-style-type: none"> ○ considered relevant legislation, regulations and other legal requirements (including but not limited to agency specific legislation, the <i>Annual Report Requirements for Queensland Government Agencies</i> and the <i>Guide to the Queensland Government Performance Management Framework</i>)? ○ consulted with the appropriate Minister to ensure it will meet the Minister's expectations in terms of timeliness and extent of detail? ○ considered its own strategic and operational plans?
Credibility of performance management systems	<ul style="list-style-type: none"> ⇒ Is agency management seen to be committed to the performance management system? ⇒ Where the performance management system highlights underperformance, are processes in place to deal with it? ⇒ Is information collected by the performance management system effectively communicated to agency management and staff? ⇒ Are management and staff encouraged to take ownership of reporting systems and reported results?
Review of performance management systems	<ul style="list-style-type: none"> ⇒ Do components of the measurement system: <ul style="list-style-type: none"> ○ reflect the agency's current strategic plan? ○ identify key agency business processes that may have been changed? ○ incorporate measures that may be used in equivalent agencies? ○ reflect changed needs and expectations of stakeholders? ○ recognise accountability – ownership/assigned/communicated? ⇒ Is an assessment made of the current legislative, regulatory and legal requirements and incorporated, if applicable, in the performance management system? ⇒ Are new or developing computer, communications and reporting technologies: <ul style="list-style-type: none"> ○ assessed for likely application in the agency's performance management system? ○ assessed in terms of potential benefits to agency operations, together with potential costs of implementation of such changes?



14.0 Monitoring / Assessment of Internal Controls (IS 4.1)

The following list contains a number of points for consideration by an agency when implementing processes to monitor and assess its internal controls. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The questions below do not represent an exhaustive list of consideration points.

<i>Risk/Process</i>	<i>Points for Consideration</i>
Regular monitoring	<ul style="list-style-type: none"> ⇒ Are internal control systems adequately documented? ⇒ Are internal control systems operating as documented? ⇒ Are internal control systems operating as intended? ⇒ Are changes required in internal controls and processes to reflect changes in agency objectives and/or operating environment? ⇒ Have processes been established to identify, rectify and report any deficiencies or omissions in agency internal control systems? ⇒ Does the monitoring process identify redundant or duplicated processes? ⇒ Does the monitoring process identify gaps in internal controls? ⇒ Does the monitoring process identify opportunities for the application of new or upgraded technology? ⇒ Does the monitoring process compare the cost with the benefits of more or different controls? ⇒ Are controls assessed to ensure that the risk is reduced to an acceptable level and is it cost effective?
Targeted/specific monitoring	<ul style="list-style-type: none"> ⇒ Is specific monitoring required for areas of agency operations that may be considered high risk or susceptible to fraud (for example, handling cash and other negotiable assets, small agencies where segregation of duties is restricted)? ⇒ Have the results from regular monitoring processes disclosed frequent discrepancies identifiable to particular processes, or areas of agency operations? ⇒ Have the monitoring processes identified changes to the 'business' of the agency and the need for amendment to agency operating processes? ⇒ Have staff changes raised issues that necessitate specific monitoring?
Training staff on internal control processes	<ul style="list-style-type: none"> ⇒ Do all new staff receive training on internal controls and fraud such as the general internal control training located on Govnet? ⇒ Do staff receive agency specific training on internal control processes and procedures if required? ⇒ Is training provided on an annual or periodic basis so staff are up to date on changes to internal control systems? ⇒ If training is not provided on changes to internal control systems, are staff informed of changes to processes and procedures in a timely manner using an appropriate communication method?



15.0 Example Statement by Chief Finance Officer (IS 4.2)

The following Statement by the Chief Finance Officer is **an example only**. The statement can be modified, expanded or otherwise varied to meet the individual needs of the department and reflect the Chief Finance Officer (CFO) responsibilities as agreed between the accountable officer and the CFO. The example below reflects a situation where responsibilities in addition to those in the legislation have been agreed upon.

Chief Finance Officer Statement to the Accountable Officer of [department name]

Section 77(2)(b) of the *Financial Accountability Act 2009* states that the chief finance officer must give to the accountable officer for each financial year, a statement about whether the financial internal controls of the department are operating efficiently, effectively and economically.

Based on a professional assessment of the department's systems of internal controls and other governance mechanisms, in my opinion, the department's financial internal controls have operated efficiently, effectively and economically and:

- In all material aspects, internal compliance and control systems relating to the financial management of the department have operated efficiently, effectively, and economically throughout the period under review.
- Ongoing assessments have not identified any significant risks that have impacted on, or may impact on, the department's financial management systems.
- The department's risk management committee (or similar function) has not identified any significant risks that have impacted, or may impact, on the achievement of the department's targets and goals.
- No known matter or circumstance has arisen subsequent to the reporting date that would have a material effect on the department's financial position, internal control systems, risk management or fraud mitigation processes. (Alternatively, briefly describe the circumstance, financial impact or losses (if any), and actions taken.)
- Appropriate assurances have been received from external service providers undertaking services on behalf of the department (external service provider name and services to be detailed).
- The results of ongoing reviews of departmental operations have not disclosed any material errors, omissions or departures from departmental policies. However, the following matters (as examples) were noted from the reviews and appropriate remedial actions have been taken:
 - Due to machinery of Government changes, new functions have been transferred into the department. While there has been insufficient time to assess in detail the application of appropriate internal controls over the acquired functions, no significant issues have been identified.
 - An overpayment in the payroll run dated xx.xx.xxxx was noted. The overpayment has been recovered and a review of the systems and controls identified the cause of the error as being a system miscalculation of a termination payment. Appropriate steps have been taken and the problem has been rectified.
 - A regional assurance statement has not been received from the North Queensland Region. This has been requested as a matter of urgency. An internal audit review undertaken in the region did not identify any significant concerns.
- Deficiencies noted in last year's statement have been rectified.
- All issues and recommendations raised by the internal and external audit functions have been rectified to the satisfaction of the Audit Committee.



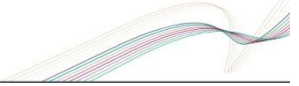
Based on the results of my assessment of the department's financial controls and processes for the period under review, it is my opinion that a reasonable assurance can be given that:

- The financial records of the department have been properly maintained throughout the period/year.
- The financial statements for the period/year are fairly stated.
- The department has complied with the financial requirements mandated in the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019*, and other prescribed requirements, including internal governance policies and Australian Accounting Standards, where relevant.

[Name]

CFO (or equivalent position title) and post-nominals

[Date]

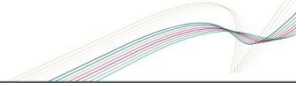


16.0 Outsourced Arrangements (IS 4.4)

Outsourcing is the process where an agency engages another entity to perform operational, financial or other administrative activities normally performed within the agency. The ultimate responsibility for effective performance of an outsourced function remains with the agency, and cannot be transferred to the service provider. To ensure a successful outsourcing arrangement, agencies must ensure that risks are assessed and managed, and that robust agreements are put in place. Once an outsourced arrangement is implemented, the agency must ensure that there is continual monitoring of the service provider, and action promptly taken where issues arise. The following list contains a number of points for consideration by an agency when initially establishing an outsourcing arrangement, or monitoring an ongoing one. The questions below do not represent an exhaustive list of consideration points.

<i>Risk/Process</i>	<i>Points for Consideration</i>
Approval to establish an outsourcing arrangement	<ul style="list-style-type: none"> ⇒ Has consideration been given to the requirements of the Queensland Government Policy on the Contracting-out of Services¹ (Contracting-out Policy) and the Employment Security Policy (ES Policy) issued by the Department of the Premier and Cabinet? ⇒ In assessing the need to outsource agency functions, has the agency as a minimum: <ul style="list-style-type: none"> ○ Prepared a business case detailing reasons for, and benefits and costs of, outsourcing the selected functions including reference to the application of the ES Policy, ○ Prepared a risk assessment analysis, and ○ Established appropriate internal controls, and ○ Obtained accountable officer or statutory body approval. ⇒ Has Cabinet approval been sought for all major organisational change and restructuring in agencies that will significantly impact on the Government workforce such as significant job reductions or alternative service delivery arrangements?
Establishment of outsourcing arrangements	<ul style="list-style-type: none"> ⇒ Has a due diligence (including consideration of issues such as financial stability, training programs, management style and insurance coverage) of any potential service providers been performed? ⇒ Are the risks, which will be created through entering into a service provider arrangement, understood, and are there processes in place for managing these? ⇒ Have service level agreements (or similar) been documented and agreed to by both parties? ⇒ Do the service level agreements (or similar) adequately identify the respective roles and responsibilities of the agency and the service provider? ⇒ Do service level agreements (or similar) include key performance indicators (KPIs) that are: <ul style="list-style-type: none"> ○ clear and concise? ○ measurable? ○ practical and reasonable? ○ relevant to users, and ○ time bound?

¹ At the time of publishing this information sheet the Contracting-out of Services Policy is not publicly available as it is in the process of being finalised by the Office of Public Sector Industrial Relations, Queensland Treasury. Information included in this document is based on the draft policy.

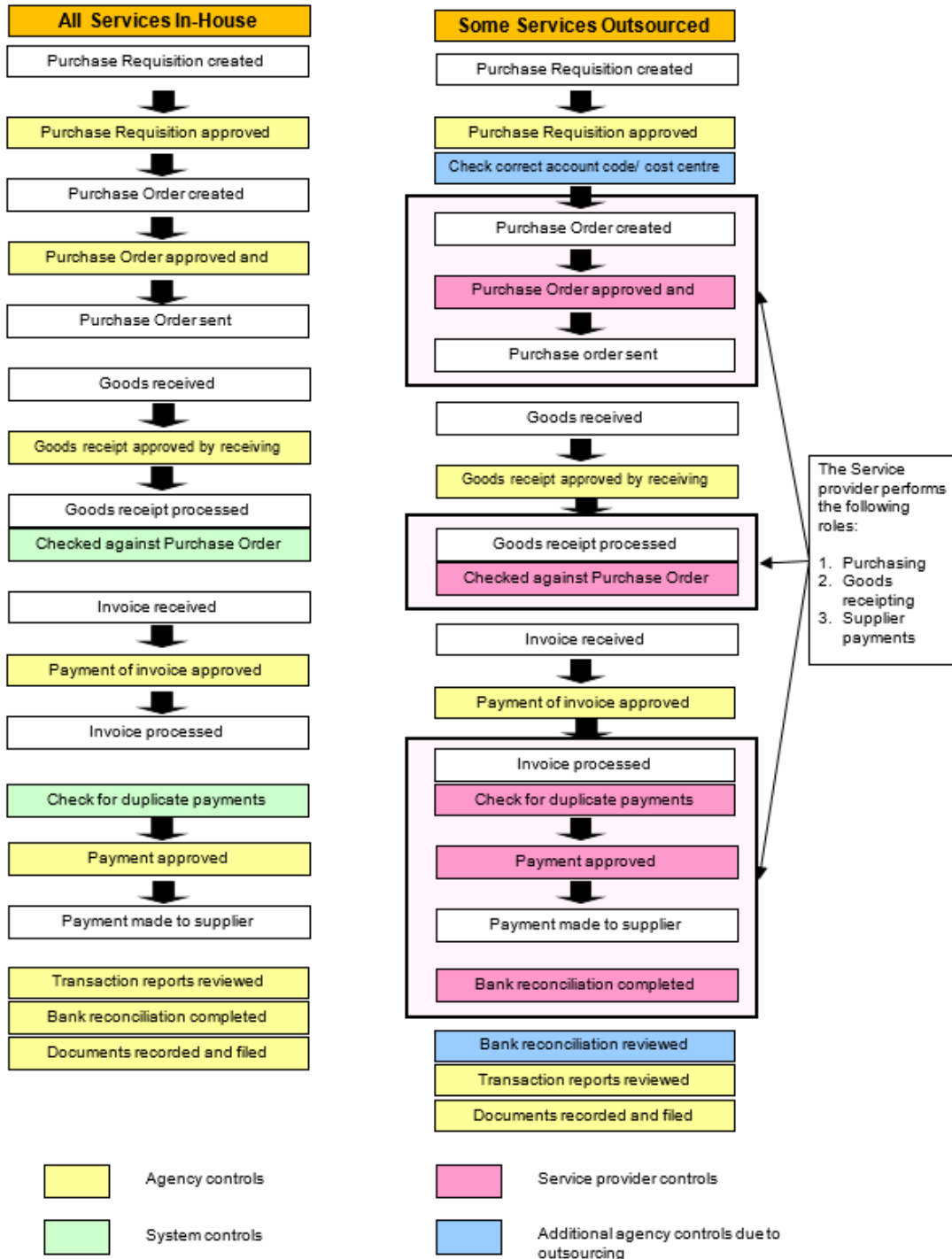


	<ul style="list-style-type: none"> ⇒ Do the service level agreements/contracts include monitoring, reporting (including against KPIs), escalation and conflict resolution clauses to ensure that issues can be addressed appropriately? ⇒ Has the agency confirmed that the selected provider has controls to ensure the accuracy, privacy and security of the agency's data?
Ongoing monitoring of outsourced arrangements	<ul style="list-style-type: none"> ⇒ What controls and security practices does the provider enforce to provide assurances that critical information is handled appropriately? ⇒ Is there ongoing communication between the agency and the service provider about the work performed? ⇒ Are there documented processes for raising issues or unsatisfactory performance with the service provider? ⇒ Are there processes to ensure that any fees charged by the service provider are appropriate based on the services provided, contracted costs, and service-level agreement requirements? ⇒ Does the department obtain sufficient and appropriate assurance from the service provider for the chief finance officer's annual statement to the accountable officer?
Exit Strategies	<ul style="list-style-type: none"> ⇒ Does the service level agreement/contract incorporate an exit strategy in the event that the arrangement does not continue? ⇒ Does the exit strategy consider: <ul style="list-style-type: none"> ○ ownership/access to historical data ○ responsibilities of each party to transition from the arrangement ○ period of notice required to cancel the arrangement?

Refer also to the Points of Consideration provided with respect to Expense Management.

17.0 Internal and External Processing Flows (IS 4.4)

Agencies have a responsibility to ensure that outsourced functions are subject to the same rigorous scrutiny that applies to internal operating systems. The diagram below illustrates an example of purchasing, goods receiving and supplier payment functions being passed on to an outsourced provider. Evaluation processes should be established to monitor and evaluate the outputs and performance of the service provider.

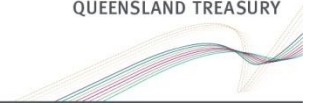




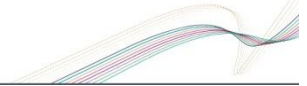
18.0 Register of Audit Findings and Resolution for XYZ Agency (IS 4.5)

Agencies have an obligation to address weakness and breakdowns in internal controls and processes that may be identified by either internal or external audit. As a means of recording the matters identified by the audit process, agencies may establish a Register of Audit Findings to record those matters and track the progress of their resolution. An example of the Register of Audit Findings is attached.

Issue	Audit Observation	Recommendation	Risk Rating	Management Response	Responsible Officer	Status
Asset stocktakes (External audit, reported xx/xx/xx)	Discrepancies noted during asset stocktakes not followed up in a timely fashion, with some laptop computers not located.	Discrepancies should be followed up in a timely fashion, the missing laptops should be located and controls over portable and attractive assets should be strengthened.	High	Recommendation supported. Response date: xx/xx/xx	Manager, Assets	Complete For future stocktakes, discrepancies will be followed up within two weeks of noting. Review date: xx/xx/xx Date completed: xx/xx/xx
IT access (External audit, reported xx/xx/xx)	Noted a number of terminated employees still with access to the agency system.	Processes should be implemented to ensure IT access is removed for all terminated employees.	High	Recommendation supported. An initial review to be completed to identify other terminated employees with access. Response date: xx/xx/xx	Manager, IT	Partially complete Process implemented for IT to be advised when an employee terminates. Review of current users expected to be finalised xx/xx/xx. Review date: xx/xx/xx Date completed: xx/xx/xx
Financial delegations (Internal audit, reported xx/xx/xx)	The delegations instrument still contains positions that are no longer within the agency (due to loss of a function).	Instrument should be reviewed as a matter of priority and a regular review process should be implemented.	High	Recommendation supported. Response date: xx/xx/xx	Chief Finance Officer	Complete Initial review completed, with some updates to instrument made. Process developed for instrument to be reviewed in the third quarter of each year. Review date: xx/xx/xx Date completed: xx/xx/xx



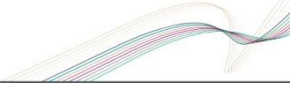
Issue	Audit Observation	Recommendation	Risk Rating	Management Response	Responsible Officer	Status
Bank reconciliations (Internal audit, reported xx/xx/xx)	While bank reconciliations are prepared monthly, there is a delay in independent review and approval of the bank reconciliations.	Bank reconciliations should be reviewed and approved soon after preparation.	Medium	Recommendation supported. Response date: xx/xx/xx	Chief Finance Officer	Complete Process implemented for bank reconciliations to be prepared within five days of month end, and reviewed and approved within three working days of preparation. Review date: xx/xx/xx Date completed: xx/xx/xx
Electronic payment approvals (External audit, reported xx/xx/xx)	There is no evidence of an independent check of proposed electronic payments to vendors	An independent officer should be signing the proposed payments schedule to confirm the accuracy of the proposed electronic payment run.	Low	Recommendation not supported. When the payments are ready to be paid through the bank, a supervisor enters a password, confirming the accuracy of the payments. This is considered to be sufficient evidence of an independent check. Response date: xx/xx/xx	Chief Finance Officer	No further action required Review date: xx/xx/xx Date completed: xx/xx/xx



19.0 Management Reporting (IS 5.1)

The following list contains a number of points for consideration by an agency when designing and preparing reports for management. The points may not be applicable to all agencies, and should be considered in the light of individual agency circumstances. The questions below do not represent an exhaustive list of consideration points.

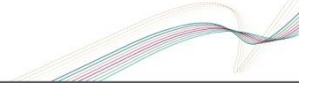
Risk/Process	Points for Consideration
Report design and presentation	<ul style="list-style-type: none"> ⇒ Have report formats incorporated all data/information styles required to achieve informed decision-making on specific or general issues? ⇒ Do report formats allow for inclusion of appropriate commentary on specific issues or trends? ⇒ Has the report been presented in a professional manner and in a generally accepted format? ⇒ Is the information clearly stated and presented in a manner that is appropriate for the target audience? ⇒ Is the format of the presentation consistently applied throughout the document? ⇒ Have report formats been reviewed and accepted by agency users? ⇒ Has the report been checked for quality assurance prior to release and publication? ⇒ Is there a process in place to review report formats on a regular basis in order to assess their effectiveness?
Report content	<ul style="list-style-type: none"> ⇒ Is report content current, relevant, accurate and complete? ⇒ Does the report disclose other related existing and potential issues that should be available to management, including potential risks, consequences of proposed decisions and mitigation processes? ⇒ Are KPIs: <ul style="list-style-type: none"> ○ clear and concise? ○ measurable? ○ practical and reasonable? ○ relevant to users, and ○ time bound? ⇒ Is the content of the report tailored to specific user groups, for example, line management, accountable officer or board members? ⇒ Have all agency stakeholders provided relevant information for inclusion in the report? ⇒ Does the report include only information relevant to the issue being reported on (for example, does not contain extraneous information)?
Report communication	<ul style="list-style-type: none"> ⇒ Is there a process in place to pass the report to other areas within the agency? ⇒ Are reports circulated to officers/board members in sufficient time before a meeting to enable user review and consideration of issues prior to meeting?
Evaluation	<ul style="list-style-type: none"> ⇒ Is there a process in place to solicit feedback on the effectiveness of the information presented and the user friendliness of the formats used? ⇒ Is additional or revised content required by management reflected in reports produced?



20.0 Preparation of Financial Statements (IS 5.2)

The following list contains a number of points for consideration by an agency when developing and implementing processes applicable to the preparation of an agency's financial statements. The points may not be applicable to all agencies, and should be considered in the light of individual agency circumstances. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Planning	<ul style="list-style-type: none"> ⇒ Have work schedules, timelines and reporting dates been prepared and distributed to all staff, internal and external audit, the chief finance officer, the head of internal audit, audit committee and other relevant parties? ⇒ Have potentially contentious issues been identified and discussed with all stakeholders prior to the commencement of the preparation of the financial statements? ⇒ Has a communication plan been established to inform all stakeholders of progress, potential issues, and timeline amendments? ⇒ Have staff been briefed on roles, expectations and timeframes? ⇒ Do staff have appropriate skills, qualifications and experience to complete the tasks assigned to them? ⇒ Have regular review meetings been arranged both within the agency and with external stakeholders to assess progress and to address issues in the preparation of the financial statements? ⇒ Have staff leave approvals been tailored around reporting requirements? ⇒ Do accounting staff have full knowledge and understanding of the reporting requirements under the <i>Financial Accountability Act 2009</i>, <i>Financial and Performance Management Standard 2019</i> and applicable Australian accounting standards? ⇒ Is there additional training to update officers' knowledge, where appropriate?
Application of generally accepted accounting methods and processes	<ul style="list-style-type: none"> ⇒ Have all accounting processes and functions been identified and allocated to appropriate staff, for example: <ul style="list-style-type: none"> ○ reconciliation of all balance sheet control accounts (for example, bank, creditors, debtors, accruals, prepayments)? ○ reconciliation of defined profit and loss account entries (for example, wages, depreciation and amortisation, etc)? ⇒ Is a documented policy manual (covering, for example, depreciation, cut-off dates, asset recognition thresholds, revenue and expense recognition) available to appropriate staff, and internal and external auditors? ⇒ Have valuations been completed by appropriately qualified individuals for the purposes of correctly and accurately reflecting asset values in the financial statements in accordance with Australian accounting standards? ⇒ Has format, scope and content of supporting working papers been determined? ⇒ Has due consideration been given to consolidating those entities deemed to be controlled entities for the purpose of preparing the agency's financial statements? ⇒ Has the scope of internal audit reviews been determined and incorporated into the supporting reconciliations and schedules prepared for the financial statements?
Completion of annual accounts	<ul style="list-style-type: none"> ⇒ Are the financial statements reviewed by the CFO (or statutory body equivalent)? ⇒ Have CFO (or statutory body equivalent) queries been adequately and effectively answered by agency officers?



Risk/Process	Points for Consideration
	<ul style="list-style-type: none"> ⇒ Has the CFO (or statutory body equivalent) ensured that the financial statements comply with the requirements under the Act, subordinate legislation and appropriate accounting standards? ⇒ Has a timetable been agreed with the internal and external auditors, and the audit committee?
Certification and audit	<ul style="list-style-type: none"> ⇒ For departments only, has the CFO forwarded a copy of the CFO statement to the accountable officer (refer <i>Information Sheet 4.2 Statement by Chief Finance Officer</i>)? ⇒ Have internal and external audit processes been completed? ⇒ Have internal and external audit issues been reported to agency management and the audit committee and resolved to the satisfaction of the auditors? ⇒ Have the financial statements and audit reports been signed by appropriate officers in accordance with prescribed requirements?
Annual report	<ul style="list-style-type: none"> ⇒ Have the full sets of audited annual financial statements (with no post-audit certification amendments) been incorporated in the agency's annual report?



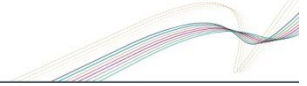
21.0 Annual Reports (IS 5.5)

The following list contains suggested points for consideration by an agency when developing and implementing processes applicable to the preparation of an agency's annual report. The points may not be applicable to all agencies, and should be considered in the light of individual agency circumstances. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Responsibility	<ul style="list-style-type: none"> ⇒ When assigning responsibility for the coordination of the preparation of the annual report, has consideration been given to the size and complexity of the agency, that is <ul style="list-style-type: none"> ○ in the case of smaller agencies, appointing a person or team? ○ for large or complex agencies, appointing a steering committee? ○ ensuring agency officers have appropriate expertise and knowledge to effectively complete their tasks?
Timetable	<ul style="list-style-type: none"> ⇒ In establishing the timetable for the preparation of the annual report, has consideration been given to dates for completion of assigned actions, such as: <ul style="list-style-type: none"> ○ audited financial statements? ○ report design and content? ○ completion of annual report drafts? ○ mandated reporting dates? ⇒ Has the timetable factored in allowances for delays or other issues which may arise? ⇒ Have dates and meeting formats for review meetings been established and communicated to appropriate stakeholders?
Design	<ul style="list-style-type: none"> ⇒ In determining the design of the annual report, has consideration been given to the following: <ul style="list-style-type: none"> ○ acknowledgment of mandatory reporting requirements? ○ identification and articulation of the theme of the report? ⇒ Has the accountable officer or statutory body reviewed and approved the draft design of the report? ⇒ Have the minimum content requirements of the <i>Annual Report Requirements for Queensland Government Agencies</i> been complied with?
Production and printing	<ul style="list-style-type: none"> ⇒ Has agency management complied with the <i>Annual Report Requirements for Queensland Government Agencies</i> when considering: <ul style="list-style-type: none"> ○ the number of printed copies required (for tabling in Parliament and other parties)? ○ whether reports should be printed by the agency, or externally by the Government Printer, or another party? ⇒ Has the agency reviewed other methods of transmission of the report, such as by online publication, use of CD-ROMs or memory sticks?
Proofreading	<ul style="list-style-type: none"> ⇒ Have editing and proofreading functions been allocated? ⇒ Has consideration been given to utilising a person independent of the preparation of the annual report? ⇒ Have review dates been established? ⇒ Have the following types of errors been highlighted for review: <ul style="list-style-type: none"> ○ inconsistency in wording and expression? ○ incorrect or missing dates? ○ incorrectly titled tables or illustrations? ○ missing paragraphs or pages?



Risk/Process	Points for Consideration
	<ul style="list-style-type: none">○ numbers not summing correctly?○ comparative figures are incorrect?○ inconsistency between different sections of the report?○ financial statements changed during printing of the report?○ spelling, typing, grammatical and formatting errors, and○ incorrect section names/page numbers in contents/index? <p>⇒ Have the certified financial statements been reproduced without alteration?</p> <p>⇒ Has the Letter of Compliance and Compliance Checklist been included in the annual report?</p>



22.0 Grant Management (IS 6.2, 6.3 and 6.4)

The following list contains suggested points for consideration by an agency when developing and implementing grant programs. The points may not be applicable to all agencies, and should be considered in light of individual agency circumstances. The questions below do not represent an exhaustive list of consideration points.

Risk/Process	Points for Consideration
Program design	<ul style="list-style-type: none"> ⇒ Are the aims and objectives of the grant scheme properly articulated? ⇒ Have relationships with other funding bodies been identified? ⇒ Have risks been identified and a plan implemented to mitigate these? ⇒ Have appropriate performance measures been established? ⇒ Are the eligibility criteria clear and easily understood? ⇒ Have total costs of the grant program been estimated (including administrative costs)? ⇒ Does the grant scheme comply with relevant legislation and policies? ⇒ Have accountability and reporting mechanisms been documented and implemented? ⇒ Has the program received sufficient and appropriate promotion? ⇒ Has an appeals process been established and documented?
Program administration	<ul style="list-style-type: none"> ⇒ Do application forms and guidance notes help applicants to submit valid applications? ⇒ Has an appraisal process been implemented which ensures that appraisers have no actual or perceived conflicts of interest and involves the consistent scrutiny of all applications? ⇒ Is there an adequate audit trail outlining all relevant reasons for decisions? ⇒ Have alternative forms of support been considered (for example, provision of professional support or loans)? ⇒ Are there comprehensive grant agreements which clearly outline the responsibilities and expectations of grant recipients? ⇒ Is the cost of the program continually monitored, and any concerns reported to management in a timely manner? ⇒ Are acquittal/monitoring processes in place which are commensurate to the value and risks of grants provided?
Program evaluation and analysis	<ul style="list-style-type: none"> ⇒ Does the evaluation team have sufficient expertise and experience based on the complexity, risks and potential sensitivity of the program? ⇒ Are evaluations performed with sufficient regularity?

