



Review of the “Cost-effective Internal Control Guidelines – Underpinning Agency Performance”

Invitation to Comment

**TOPIC PAPER 3 –
CHIEF FINANCE OFFICER AND
HEAD OF INTERNAL AUDIT**

Prepared by Queensland Treasury
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Introduction

Queensland Treasury is publishing this Topic Paper to contribute to the review and update of the guidance document *Cost-effective Internal Control Guidelines: Underpinning Agency Performance* (the Guidelines). With Queensland's public sector financial legislation being rewritten on a principles-based approach, there will be increased reliance on guidance material to assist agencies with applying the new legislation to their individual circumstances.

This Topic Paper focuses on the proposed new roles to be included in the legislation – the chief finance officer and the head of internal audit.

All interested stakeholders are invited to review the Topic Paper and provide feedback to fbregistrations@treasury.qld.gov.au by **Monday 22 September 2008**.

All feedback will be reviewed, and incorporated where it is considered to enhance the project and subsequent Guidelines.

Comments are most helpful if they contain a clear rationale and, where applicable, provide an alternative suggestion.

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Issues

New public sector financial legislation, the Financial Accountability Bill, is currently being drafted following a comprehensive review of the Financial Administration and Audit Act.

It is proposed that the Financial Accountability Bill will mandate, for departments only, that accountable officers must delegate certain responsibilities to two specified roles within the department, being the chief finance officer and the head of internal audit.

It is anticipated that the minimum responsibilities associated with these roles will be:

- chief finance officer
 - financial management, including the establishment, maintenance and review of financial internal controls

- budget management
 - the preparation of financial information to facilitate the discharge of statutory reporting obligations of the agency
 - the provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the requirements of the agency
 - the provision of advice concerning the financial implications of, and financial risks to, the agency's current and projected services and
 - the development of strategic options for the future financial management and capability of the agency.
- head of internal audit
 - performing the functions conferred on the role, and discharging the duties imposed, by the accountable officer and the prescribed requirements
 - providing assessment and evaluation of the effectiveness and efficiency of agency financial and operating systems, reporting processes and activities and
 - providing assistance with regard to risk management and identifying deficiencies.

It is intended that the nomination of the officers to these roles would not change the functions and duties of accountable officers as they would remain accountable for the management and performance of their department.

The legislation will also specify that the accountable officer must delegate the minimum responsibilities to officers with qualifications, experience or standing appropriate to the positions. A regulation may, in the future, specify the minimum qualifications, experience or standing.

Though these requirements will be mandated for departments only, it is proposed that the Guidelines will recommend that statutory bodies assess whether similar positions would be beneficial to their agency, and document the decision and reason(s) for the decision.

For additional information about the chief finance officer and head of internal audit positions, refer to Discussion Paper 4 *Governance* on the legislation review webpage:

<http://www.treasury.qld.gov.au/office/services/governance/fin-admin-review.shtml>

Proposals

To assist departments with implementing the new requirements with respect to chief finance officers and heads of internal audit, it is proposed that the Guidelines provide:

- additional explanation regarding the intent of each of the minimum responsibilities included in the legislation and

- the 'qualifications, experience or standing' that could be considered by the accountable officer in nominating officers to these positions.

It is proposed that separate sections provide further information about internal audit specifically, such as the role of internal audit (as opposed to external audit) and the benefits of internal audit.

Invitation to Comment Questions

1. Do you consider that the proposed guidance regarding chief finance officers and heads of internal audit will be useful to you and your agency?
2. When accountable officers are nominating officers to the roles of chief finance officers and head of internal audit, what do you consider should be the 'minimum qualifications, experience or standing appropriate to the positions'? Why?
3. What other specific information would you like included in the Guidelines regarding chief finance officers and heads of internal audit?
4. Please provide other comments, if any, on the issues outlined in this topic paper.