

Cost-effective Internal Control Guidelines

Underpinning Agency Performance



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Message From The Under Treasurer

Queensland Treasury's *Guidelines on Cost-Effective Internal Control - Underpinning Agency Performance* have been updated to replace those last issued in November 1997.

The purpose of the guidelines is to promote the need for strong systems of internal control in the State Public Sector and to assist accountable officers and statutory bodies discharge their responsibilities under the *Financial Management Standard 1997* (the FMS) to regularly appraise those systems in terms of the 'best practice' internal controls listed in the guidelines.

The guidelines also highlight the requirement for internal controls to be cost-effective, taking into account materiality and risk issues.

Under the 2001 amendments to the FMS, accountable officers and statutory bodies must now 'have regard to' the internal control guidelines.

Section 14(2) of the FMS provides that if the FMS requires that an accountable officer or statutory body must 'have regard to' another document, the officer or body complies with the FMS by considering the contents of the document and deciding if the contents apply to the agency's circumstances.

To ensure that the internal control guidelines remain current they were recently updated, in consultation with agencies and with the Auditor-General, to include references to new and revised policy requirements and to place greater emphasis on risk management in the overall internal control framework.

The guidelines also reinforce that internal control embraces a broader focus than purely financial issues and includes the systems and processes that agencies should have for effective strategic and operational planning, client awareness and service provision, performance management and sound 'corporate health'.

I am confident that the revised guidelines will continue to provide a useful tool to agencies in their management processes, particularly with regard to the periodic systems appraisals required under the Financial Management Standard and in the development of new systems of internal control.

I commend the revised guidelines to all public sector officials.



(G. Bradley)
Under Treasurer
Date:

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1.0 Overview

Sections 36 and 46C of the *Financial Administration and Audit Act 1977* (the FA&A Act) impose significant responsibilities on accountable officers and statutory bodies, including the duty to manage their agencies effectively, efficiently and economically.

For Government owned corporations it is also important that the directors of those entities exercise due care and diligence in relation to the Statement of Corporate Intent of the corporation and other prescribed requirements, having particular regard to the requirements of sections 180-184 of the *Corporations Act 2001*.

Inherent in these responsibilities is the need for processes and controls that effectively manage the risk that agencies may not obtain optimal value for money in the services and outputs that they deliver on behalf of the Government or that they do not advance the social and fiscal objectives established by each Government in its *Charter of Social and Fiscal Responsibilities*.

All risks must be managed in accordance with their potential impact on the agency, either quantitatively or in qualitative terms.

Operationally, the *Financial Management Standard 1997* (the FMS) requires each agency to establish an internal control structure that contributes to the efficient and effective management of agency operations. All such systems must be of a high standard, taking into account the availability of alternative controls and the cost-effectiveness of individual controls.

Increasingly, there is also recognition that an agency's systems of internal control encompass not only its financial operations but also its operational performance and 'corporate health'. Each dimension is equally important.

In essence, sound systems of internal control underpin each agency's corporate performance. Equally, any diminution of such controls significantly compromises this performance, in some instances resulting in discredit to the agency, its Minister and in extreme circumstances, the Government.

A key internal control, inherent in all systems, is the need for adequate division of duties such that no one person has complete control over all aspects of a transaction, record or resource - authorisation, recording, operational custody and eventual write-off or other disposal.

Similarly, there is a need for an adequate audit trail in respect of all transactions and records.

Because of the commonality of these controls to all systems, they are not replicated in the 'best practice' examples provided in the appendices to the guidelines.

In considering a 'best practice' framework of internal control, strong linkages between such a framework and the agency's risk management processes and are critical. In turn, both comprise key components of the overall corporate governance structure of an agency.

Further guidance on corporate governance and risk management may be obtained in

Queensland Treasury's:

- Corporate Governance and Risk Management Guidelines (2002).

Other recent papers that highlight the linkages between internal control and the corporate governance of agencies include:

- *Internal Control - An Integrated Framework (1994)*. Produced by Committee of Sponsoring Organisations of the Treadway Commission (COSO). Accepted reference on internal control in the United States;
- *Guidance on Control*. Issued by the Criteria of Control Board of the Canadian Institute of Chartered Accountants. Accepted reference in Canada; and
- *Report of the Committee on the Financial Aspects of Corporate Governance (1994)*. Also known as the 'Cadbury Committee Report'. This is the key United Kingdom reference and focuses particularly on corporate governance, including internal control.

Useful information relating to risk management is available in the following publications:

- Australian and New Zealand Risk Management Standard 4360/1999; and
- Guidelines on Managing Risk in the Australian Public Service – a joint publication of the Management Advisory Board and its Management Improvement Advisory Committee (Commonwealth).

Agencies may wish to make further reference to the foregoing documents in conjunction with these guidelines. In so doing, it is important to acknowledge the key linkages that exist between internal control, risk management and the corporate governance frameworks of agencies.

2.0 Purpose of Guidelines

The purpose of these guidelines is to promote and provide guidance on internal control appropriate to most public sector agencies of reasonable size and complexity. The appendices also identify some of the more common key internal controls, including those relating to agency performance management systems.

Given the diversity of individual agencies and their operations, the tasks, risks and internal control examples identified in the appendices are not intended to be an exhaustive listing.

Rather, they are provided as a broad tool that may be useful to agencies in the identification and evaluation of the risks etc. to which an agency may be exposed and in the development of effective and efficient systems of internal control appropriate to such risks. In this regard, it is essential that each agency system be developed in accordance with its own *individual needs and circumstances*, taking into account the risk and materiality profiles of its various transactions, records, resources and systems.

In developing systems of internal control, it is desirable that agencies refer to their respective audit and business service providers for assistance and professional advice.

3.0 Internal Control Defined

The term 'internal control' originally came into use to distinguish the controls that exist within an agency from those external to it eg. various legislation and regulations.

Various definitions of internal control exist, the FA&A Act describing it as -

'the methods adopted within an entity to safeguard its assets; to check the accuracy and reliability of its accounting information; and to secure compliance with any prescribed requirements that apply to the agency'.

A sound system of internal control is essential if an agency is to ensure that its resources are deployed in the most appropriate manner to satisfy the accountability provisions of the FA&A Act and the FMS.

It also facilitates the achievement of agency goals and objectives by managing an agency's risk exposure, including in respect of fraud and inefficiency.

Integral to good internal control is the need for regular systems appraisals to ensure that such systems, including the agency's systems of internal control, continue to be appropriate to the its operations, are operating efficiently and effectively; and are as documented in the agency's Financial Management Practice Manual and other appropriate policies.

Increasingly, greater use is being made of information communications and technology (ICT) resources and systems to support agency business processes, including their financial processes.

In this respect, it should be noted that while the overall objectives and purposes of internal control are not affected by the presence of ICT systems, the individual control procedures adopted by an agency may well be influenced by the inherent characteristics of the ICT system.

4.0 Objectives of Internal Control

In addition to facilitating accountability, an effective and efficient internal control structure provides reasonable (not absolute) assurance to the accountable officer or statutory body that:

- the activities of the agency are being conducted in a manner that facilitates the achievement of its objectives and the delivery of its outputs in an orderly and efficient manner, avoiding waste, extravagance and other potential sources of risk or loss;
- error, fraud and other irregularities are prevented as far as possible and promptly detected if they do occur;
- assets are safeguarded from unauthorised use or disposal and are adequately maintained;

- operational activities and individual transactions are complete and accurately reflected in the accounting period to which they relate; and
 - financial management information is timely, relevant, and fairly presented.
- An effective system of internal control also should ensure:

- compliance with the law and other prescribed requirements eg. the FA&A Act, the FMS and various central agency policies and guidelines;
- compliance with applicable Australian Accounting Standards and other authoritative pronouncements;
- compliance with internal policies and procedures;
- the effectiveness and efficiency of agency operations; and
- the timeliness and reliability of agency financial and performance reports.

In particular, an effective system of internal control should act as an ‘early warning’ indicator on unsatisfactory performance. Close linkages between internal controls and the risk management and fraud prevention functions of agencies are essential in this regard.

5.0 Responsibility for Internal Control

It is important that agency senior executives and line personnel, at all levels, understand that in terms of the FMS it is primarily *their* responsibility, not the role of internal and external audit, to ensure the ongoing effectiveness and efficiency of the agency’s system of internal control and endeavour to ‘add value’ to such systems based on known best practices and inter-agency benchmarking.

6.0 Elements of Internal Control

The FMS requires that the internal control structure of an agency provide for:

- an effective control environment;
- reliable information systems; and
- various internal control procedures.

These issues are further explained in sections 7.0-9.0 of these guidelines following.

7.0 The Control Environment

The FMS describes the control environment of an agency as the procedures for ensuring that:

- a strong emphasis is placed on accountability and the best practice management of the

agency's resources;

- the agency's organisational structure and delegations support its goals and operations;
- the internal audit function and the audit committee are efficient and effective;
- qualified and competent officers are employed and trained, and their performance assessed; and
- if the agency controls another entity, that the operations of that other entity are efficient, effective and economic and that accountability is maintained.

7.1 Emphasis on Accountability

The overall environment in which an agency operates, sometimes referred to as the 'tone at the top', has a strong influence on its internal control structure. It includes, in addition to an emphasis on accountability, the need for effective leadership and high standards of ethical conduct and professional competence.

Senior managers in particular must lead by example. In the current idiom they must 'walk the talk' in terms of promoting and observing 'best practice' corporate governance, including effective internal control.

Equally important are a proactive management style; sound risk and fraud management processes; high standards of strategic and operational planning; fiscal discipline; procedures for managing all agency resources efficiently, effectively and economically; sound performance management and review processes and systems; and internal and external reporting that meets prescribed statutory and other requirements.

Also impacting on the agency's control environment are broader, qualitative issues such as the agency's relationship with its Minister and other agencies; its commitment to the policies and social and fiscal objectives of the Government; flexibility and acceptance of change by its senior management; a strong stakeholder and client focus; an emphasis on 'corporate health'; and like considerations.

The need for maintaining high employee morale also is stressed. Critical in this regard is the need for equal opportunity and measures that prevent favouritism, cronyism and other patronage, upwards as well as downwards.

Also important to the control environment of the agency is an effective and efficient audit committee/risk management committee functions. The role of these committees in relation to the internal controls of an agency is addressed in a later section of these guidelines.

Effective leadership, that not only operates substantively but also is seen to be operative, coupled with quality information systems and cost-effective procedural controls can significantly reduce an agency's exposure to risk, fraud and mismanagement. Conversely, a weak or ineffective control environment can undermine the internal control structure to the extent that little, if any, reliance can be placed on it.

7.2 Organisational Structure and Delegations

Agency personnel must have a clear understanding of the activities, processes and outputs for which they are responsible and accountable and to whom they must report. Cross-functional responsibilities or divided accountability must be avoided. Employee position descriptions should set out clearly each person's authorities and responsibilities in the organisation, financial and operational and include operational performance criteria.

Equally important in establishing an agency's organisation structure, are delegations that are appropriate and effective, including the quantum of any financial delegations. In setting delegations, it should be noted that while some authorities can be delegated, responsibilities can not.

For more detailed guidance on delegations reference should be made to Queensland Treasury's *Corporate Governance and Risk Management Guidelines* (2002). Queensland Treasury's *Financial Management Guidelines for Accountable Officers and Senior Executives* (2002) also provide information on this and related matters.

Inherent in a sound organisational structure is the need for adequate segregation of duties sufficient to reduce materially the risk of fraud and error.

In this regard, and as far as the staffing arrangements of the agency permit, no one person should have complete control over all aspects of a transaction, record or resource - authorisation, recording, processing, operational or other custody and eventual write-off or disposal.

Of all internal controls, adequate division of duties is possibly one of the most important and should be factored into all stages of systems development, operation and ongoing assessment.

7.3 Internal Audit

An effective internal audit function significantly strengthens the control environment of an agency and is a mandatory requirement for all departments under the FA&A Act and, when so determined by the appropriate Minister, for nominated statutory bodies. In order to be effective, internal audit personnel must possess high standards of professional competence, experience, integrity and objectivity. In relation to the independence of the internal audit function, the function must:

- be directly responsible to the accountable officer or statutory body, including in relation to reporting; and
- be, and be seen to be, independent of any activities that it audits.

The primary role of internal audit is to regularly assess and evaluate the effectiveness, efficiency and economy of agency financial and operational systems, reporting processes and activities, including the agency's annual financial statements, having regard to the functions and duties imposed on the accountable officer and to provide positive assurances to the accountable officer or statutory body that the agency is:

- managing its exposure to risk and fraud in an effective and efficient manner;
- delivering its outputs efficiently, effectively and economically and so as to obtain best value for money;
- ensuring alignment of the agency's outputs with the objectives set by the Government in its *Charter of Social and Fiscal Responsibility*;
- optimising its performance in terms of quality, quantity, timeliness, cost and where appropriate, location;
- reporting its financial and operational performance in a relevant, reliable and timely manner;
- correctly applying and complying with the requirements of the enabling legislation of the agency, the FA&A Act, the FMS, applicable Australian Accounting Standards and other authoritative pronouncements and prescribed requirements;
- ensuring the integrity and consistency of the agency's corporate culture relative to ethical conduct and probity, including in relation to its tendering, contracting and other procurement processes; and
- ensuring that its assets, liabilities and contingencies are managed competently and protected against loss or other negative consequences.

It is essential that the internal audit function operate under a formal Charter approved by the accountable officer or statutory body.

Because of the close linkages that exist between internal control and risk management it is desirable that where audit/risk management committees are established in an agency that there be some common membership and an effective interchange of findings.

7.4 'Corporate Health'

In considering the control environment of an agency there is increasing emphasis on the state of its 'corporate health'. Key risk indicators in this important area include:

- unrealistic goals, objectives and expectations;
- an overly complex organisational structure;
- frequent or ineffective reorganisations;
- unnecessarily complex delegations and/or a failure to clearly align responsibility and accountability;
- autocratic, non-participative management styles;

- inexperienced management and lack of adequate management supervision;
- frequent staff turnover, including those resulting from ‘redundancies’;
- poor staff morale/high incidences of sick leave;
- failure by employees, who undertake key accounting functions, to take recreation leave when due;
- excessive overtime/time off in lieu/employment of contractors or temporary staff;
- systems that have not kept pace with the agency’s operational and financial reporting requirements;
- poorly maintained or inadequate infrastructure for the delivery of the agency’s outputs;
- adverse media and other publicity;
- unusual trends in operational performance and forecasts;
- delays in financial and operational reporting and responses/follow up of audit queries; and
- unsatisfactory workplace health and safety processes.

Although primary responsibility for the foregoing clearly rests with management, the internal audit function should provide assurances to the accountable officer or statutory body in relation to this critical area.

7.5 Assessment of Current and Emerging Issues

In considering the role and responsibilities of the internal audit function, it is fundamental for audit planning processes that an assessment be made of current and emerging issues impacting on the agency, including in respect of its financial and operational performance.

Each agency is subject to its own individual risk profile. However, risks are driven by a number of basic factors and the interaction of many elements including the nature of the agency’s activities, the state of its ‘corporate health’, prevailing market conditions, client satisfaction and the perception of the agency by the Government, media and wider community.

More tangible indicators such as financial stability and solvency, adherence to budget, the effectiveness and efficiency of service delivery, the contributions that the agency makes to delivering the Government’s social and fiscal objectives and the functionality and condition of the resources that the agency manages also impact directly on its overall risk profile.

By understanding and addressing these factors during the audit planning cycle, internal audit can provide a valuable contribution to the identification and mitigation of potential threats to

the agency.

7.6 Relationship between Internal and External Audit

The internal audit function differs from external audit in that the former is part of the operational processes of the agency and is a resource that assists the accountable officer or statutory body in the discharge of the responsibilities imposed on that person or body. Conversely, the responsibility of external audit is to provide assurances to Parliament as to the stewardship (integrity, propriety, economy, efficiency and operations) of the Executive Government and the agencies of the State, nominated by Parliament through various statutes.

The Auditor-General, as Parliament's external auditor, discharges these responsibilities, principally through the certification of agency financial statements, including the whole-of-Government financial report prepared by the Treasurer under Australian Accounting Standard AAS 31 - *Financial Reports of Governments*.

This responsibility is also assisted by periodic reports to Parliament by the Auditor-General which summarise the results of audits performed during a financial year, including in respect of any performance management systems audits conducted by the Queensland Audit Office.

7.7 The Audit Committee

The existence of an effective audit committee indicates a positive attitude towards internal control. It acts as a forum for dialogue between the accountable officer or statutory body, executive management groups and the internal and external audit functions. As such, it facilitates a better awareness of each party's responsibilities and a more efficient, holistic audit approach.

An effective audit committee can also relieve the accountable officer or statutory body of a significant amount of unnecessary detail by highlighting only those issues that require the accountable officer's strategic attention. Further, it provides the accountable officer or statutory body with a high level of assurance over the quality of the agency's internal and external reporting.

An additional benefit is that the multi-disciplinary and independent nature of the audit committee provides access to a depth of knowledge that assists management discharge its corporate responsibilities in the most effective and efficient manner.

Finally, and of particular importance are the contributions that an audit committee can make to a 'no surprises' environment in an agency, particularly with regard to the prompt identification of risks and threats to the agency.

The effectiveness within the agency of an audit committee can be influenced by a number of factors, including:

- its mandate and independence from line management;
- the experience, qualifications and skills of committee members;

- if warranted, the inclusion on the committee of persons independent of the agency;
- periodic ‘peer review’ of the activities and performance of the committee;
- the extent of its appreciation of the functions, activities and outputs undertaken or provided by the agency; and
- the interaction of the committee with the internal audit, risk management, performance management and other key management functions of the agency.

Queensland Treasury’s *Audit Committee Guidelines – Underpinning Agency Performance (2000)* provides further useful information on the functions, duties and responsibilities of the audit committee. The guidelines also include a proforma Audit Committee Charter.

7.8 Competency of Agency Personnel

The personnel who comprise an agency can either make or break its internal control systems. Controls rarely happen by themselves; people make them happen. In doing so, dishonest or incompetent personnel can undermine a system, regardless of how well planned and sophisticated it is.

A further key aspect of the control environment therefore, relates to the ability, professionalism and integrity of the people who service the agency.

The selection, training, competence and ethical conduct of these personnel and their awareness of the need for adherence to the internal control framework and processes of the agency are critical in establishing and maintaining an effective internal control structure. In this regard, consideration needs to be given to:

- high standards of recruitment;
- adherence to the agency’s Code of Conduct, including appropriate training on the standard of ethical conduct expected of agency personnel;
- rotation of personnel and promotions driven by fairness, merit and equity;
- personnel performance assessments coupled with effective counselling in respect of unsatisfactory work performance/behaviour; and
- professional development policies and training programs appropriate to staff needs and work profiles.

7.9 Controlled Entities of Agencies

Where a department or statutory body controls another entity, the operations of that entity must be monitored regularly to ensure that they remain efficient, effective and economic.

7.10 External Influences

The final issues impacting on the control environment are those of an external influence. These include the checks and balances that exist on a whole-of-Government basis, including Parliamentary Committees and Parliamentary questions and debate, the Auditor-General, Crime and Misconduct Commission, Integrity Commissioner, Ombudsman and like review bodies. In considering external influences, agencies should ensure that they are not seen as substitutes for the agency's own internal control processes.

8.0 Information Communication and Technology

An agency's information communication and technology (ICT) systems are critical to its efficient and effective operations. They also support and further the Government's strategy to promote E-Commerce in Queensland. The term encompasses the transactions, records, operating programs and systems producing ICT information as well as data collection and exchange, internal and external communications, human and physical resources and reporting, including adequate audit trails.

Effective ICT systems should also be able to capture and report essential non-financial information used for performance reviews and evaluations and benchmarking activities.

The FMS requires each accountable officer and statutory body to develop and implement ICT systems that ensure all transactions are recorded promptly, accurately and completely and in the correct accounting period, including details about the authority for the transactions.

Agency ICT system also must facilitate the preparation of financial reports in accordance with applicable Australian Accounting Standards and other prescribed requirements - principally, for departments, the *Minimum Reporting Requirements for Departmental Financial Statements* issued annually by the Treasurer.

Also critical are the issues of access control, the maintenance of an adequate audit trail and the prompt recovery of information in the event of a system breakdown - business continuity planning.

In implementing and managing ICT systems, there also is a need for an appreciation of the classes of transactions that impact on the agency's internal and external reports, including performance management data; how transactions are initiated and in what volume (transaction analysis); the processes involved from the initiation of each transaction to its inclusion in the financial and other reports; and how the information is held, updated and secured.

As well as the physical processing of transactions eg. invoicing, accounts payable, and inventory control functions, systems also must be capable of producing various highlight and exception reports, on a timely basis, sufficient to enable the effective evaluation and monitoring of agency activities against budget and other performance indicators and benchmarks or to highlight potentially aberrant transactions or other events requiring further investigation or follow-up.

Before introducing a computerised financial information system or significantly changing an existing system, the FMS requires consultation with the internal audit (where it exists) and

external audit functions.

The Department of Innovation, Information Economy, Sport and Recreation issue various Information Standards. Under the FMS all public sector agencies must ensure consistency with the mandatory principles of these standards within the timeframes set out in each standard.

Each ICT system must be documented in the agency's Financial Management Practice Manual.

9.0 Internal Control Procedures

The final elements of agency internal control structures are the various control procedures that exist within the agency. These are the basic checks and balancing activities that are carried out to ensure the completeness, relevance, accuracy and timeliness of the agency's accounting and other transactions and records and that act to safeguard its assets and comply with any prescribed requirements.

Control procedures usually are classified as *preventative, detective or directive*.

Under the FMS, each accountable officer and statutory body must develop and implement a number of specific control procedures, including the assignment of responsibility to appropriate officers; adequate segregation of duties; independent verification and reconciliation of account balances; compliance with prescribed requirements eg. Queensland Treasury's *Non-Current Asset Accounting Guidelines*; and preserving the integrity, accuracy and reliability of the agency's ICT systems.

Collectively, an agency's control environment, including effective leadership; a healthy corporate culture; and sound ICT, risk management and internal control systems all facilitate operational efficiency and achievement of the agency's objectives. Such an environment also ensures that risks are adequately managed and that accurate, timely and relevant financial data is produced for internal and external reporting purposes.

10.0 Reasonable Assurance Principle

The FMS requires that, in developing systems of internal control, the following be considered:

- the inherent *limitations* of internal control;
- the *cost-effectiveness* of particular controls; and
- the availability of *alternative* controls.

10.1 Limitations of Internal Control

It is rare for any system of internal control to provide total security over an agency's

operations and inherent limitations exist in most systems that preclude absolute assurance, even though due care and diligence may have been exercised.

This is referred to as the *reasonable assurance principle*. Factors that can impact on, or result in breakdowns in, the control structure and processes include:

- the fact that controls may not be directed at unusual transactions. An effective control culture and adequate supervision are the most effective deterrents in this area;
- the potential for human error due to carelessness, distraction, faulty judgement or the misunderstanding of instructions. A strong ethical culture, an adequate professional development program and the maintenance of procedures manuals, including an agency specific Financial Management Practice Manual, can minimise this risk;
- the possibility of the circumvention of controls through collusion. This risk can be minimised by a strong ethical culture and practices in the agency and adequate supervision;
- the possibility that a control could be over-ridden. This risk also can be controlled by a strong ethical culture and an adequate separation of duties and supervisory functions;
- the possibility that procedures have become inadequate due to changed conditions or the deterioration of procedures over time. Systems appraisals, which must be conducted at least once every three years, in conjunction with effective internal audit, will assist, maintain and enhance the efficiency and effectiveness of the control system; and
- the requirement that controls be cost-effective. In other words, there is a point at which it makes good business sense to accept a risk rather than implement a control that is disproportionate to the risk, in terms of cost.

In relation to small regional offices and agencies, where often only a limited number of persons are employed, internal controls may not be as strong as in larger entities. For example, it may be difficult to achieve a strong separation of duties.

In these instances, it becomes important that the person in charge of the office take a proactive role in the supervision of its day to day operations and that the agency's overall system of internal control provide for some form of head office monitoring and regular internal audit.

For small statutory bodies where there may be a limited number of personnel and a board, committee or like structure exists, it is desirable that the chairperson or another board member with financial management skills maintain some 'hands on' supervision over the agency's operations, particularly high risk transactions.

This could occur by requiring agency cheques to be countersigned by the member, reviewing expense listings for unusual and high value items and ensuring that key accounting records and reconciliations are maintained to an up to date position.

Where practicable, an internal audit service also should be utilised. This could be provided on a part-time, shared or outsourced basis.

10.2 Cost-Effectiveness of Internal Controls

As provided in the FMS, the cost-effectiveness of agency internal control systems is a key criterion in the design of its ICT systems and in itself can be a limitation on the system. The basis of the assessment of cost-effectiveness is that the cost of checking a transaction, record or event should not outweigh its expected risk profile or materiality. Key considerations in this regard are:

- whether or not the detailed verification of a transaction, calculation or record is necessary and worth the cost; and
- the reason why the transaction, calculation or record was not correct in the first place, if such was the case.

The cost of a control refers not only to its financial measurement. Qualitative factors are equally important. Examples include lost opportunity through delay, client dissatisfaction, a decline in productivity, systems that have not kept pace with the operational and financial reporting requirements of the agency, excessive overtime/employment of contractors, poor employee morale or the potential for adverse comment about the agency.

Benefits are measured by the degree to which the risk of failing to achieve a stated objective is reduced. Examples include the probability of detecting waste, inefficiency, fraud or error and the protection of agency resources.

In deciding if a need exists for a particular internal control, the overarching test should be to ensure that the agency is not exposed to undue risk, including that of internal or external fraud. In the determination of such risk, the qualitative issues previously referenced are equally important.

In considering cost-effectiveness, a distinction also needs to be drawn between efficiency and effectiveness. To be *efficient*, an internal control must achieve maximum benefit with minimum effort. To be *effective*, it must fulfil the intended purpose in actual application.

In the assessment of efficiency and effectiveness, any technique used should include the identification and assessment of the potential risk if a control was compromised or not operating as intended.

10.3 Consideration of Alternative Controls

The FMS indicates that, where possible, the availability of alternative controls must be considered in the design of agency systems. This means that, particularly in relation to large agencies where there are large volumes of transactions of low materiality, there should be a move away from detailed, uneconomical checking to more cost-effective processes based on the materiality and risk profile of the transaction, event or record.

In some instances, the use of analytical reviews, sampling or reasonableness techniques may

be more efficient and effective than the detailed examination of each transaction.

The type of process chosen will depend on the nature of the item and the particular aspect over which control is desired but prior history, trends over time, comparisons against budget and other performance measures may be an indication of some pertinent and useful bases. As an example, the monitoring of fuel purchases by vehicle consumption may be more effective and efficient than the detailed review of individual purchases.

Statistical or random sampling of items under predetermined values also can be useful for repetitive payments or transactions where prior history or the nature of the transaction indicates a satisfactory position.

A need continues to exist for a high level of internal check of material 'one-off' transactions or where there is potential sensitivity eg. complex funds transfers, claims under contract, entertainment and travel expenses; and in such fundamentally important areas as the prompt reconciliation of subsidiary ledgers to control accounts, including bank, debtor and suspense accounts and the follow-up of discrepancies and irregularities highlighted by such reconciliations.

Summary

In the drawing together of the foregoing, the degree of assurance considered reasonable by each agency will vary according to its size, complexity and the facility to institute an efficient, effective and economic control. In this task, care, skill, and a high level of professional judgement all are critical.

If management chooses a combination of controls that is inadequate, then other risks, costs and inefficiencies can emerge. The potential for criticism or adverse report by audit or the various review agencies must also be considered if the control deficiencies are likely to have a material impact on the operations of the agency.

Established practices and procedures need to be continually challenged to achieve more efficient and economical work practices; but in doing so the danger of eliminating vital and necessary internal controls must be recognised.

Before a process is changed or eliminated, the impact on internal control must be carefully assessed. In some instances, overly burdensome controls may be able to be discontinued entirely while in other instances alternative, more cost-effective controls may be available, including the use of statistical sampling methods for high volume, low value transactions.

11.0 Systems Appraisals

Agencies can not rely solely on internal and external audit for assurances as to the continued integrity of agency financial and performance management systems.

To develop a structured and robust approach, accountable officers and statutory bodies must consider, on an ongoing basis, not only what constitutes an effective system, but whether or not it is operating efficiently, effectively and economically.

Each agency's systems must, in compliance with the FMS, be recorded in its Financial Management Practice Manual. This may be by way of flowchart, written description or a combination of both. If flowcharting is used it is essential that it be simple and user-friendly.

Systems appraisals are only accurate at the point in time in which they are made. Procedures and their effectiveness may also be subject to periodic variations through technological enhancements, staff changes and other variables.

As an agency's operating environment changes and develops, so must its procedures and systems change and adapt. Management must be confident that, despite such modifications and enhancements, the internal control structure continues to provide reasonable assurance that its objectives are being achieved.

It is important therefore, to establish and maintain a program of periodic self-appraisal of systems, that will identify weaknesses, provide assurance that internal controls are operating as intended and remain relevant, reliable and cost-effective.

ICT controls are equally critical, including controls such as high standards of documentation, amendment authorisations, logs and highlight reports, data backup and recovery procedures, systems security (password, transmission and physical), offsite storage, an effective business recovery strategy and similar.

The FMS makes it clear that responsibility for systems appraisals lies with line management and must not be seen as an internal audit function. Notwithstanding, internal audit does have a role in examining and reporting on the quality and frequency of the systems appraisal processes of agencies.

12.0 Resolution of Audit Findings

Integral to sound internal control is the need for the prompt resolution of the findings and recommendations of internal and external audit. The role of the audit committee is critical in this process, which should commence with confirmation that a problem or weakness does in fact exist, that there are no compensating controls and that any recommended variations to a procedure or system are efficient and cost-effective.

Provided these criteria are met, appropriate variations or systems enhancements should be agreed upon, operationalised and documented in the agency's Financial Management Practice Manual.

13.0 Summary

The FMS enhances the discretion of senior managers in the financial and operational processes of their agencies and promotes a continuum of reform and strategies that move away from an environment heavily reliant on hierarchical controls and central prescription to one that promotes management innovation and flexibility.

Inherent in this is the need for agencies to consider alternative forms of internal control, other

than repetitive checking - controls that may be equally efficient, but more cost-effective.

Regular reviews of the systems of internal control that exist in each department and statutory body, or systems appraisals, facilitate this action and also ensure that the agency's financial and performance management systems are operating as intended. The maintenance of an agency specific Financial Management Practice Manual is critical in this regard.

In the process of reviewing internal controls, it must be recognised that certain fundamental internal controls eg. adequate separation of duties, timely bank account reconciliations and the follow-up of error and exception reports must never be disbanded due to the high risk that such actions pose to the agency. Equally, internal control must not be compromised where there is significant risk to the agency if the control did not exist.

Any lessening of internal control also must be considered in the context of the materiality of the transaction or process, the possibility of an escalation in internal and external audit costs and qualitative factors, for example, adverse criticism about the agency.

Each public sector agency must ensure that its systems accord with legislative requirements, principally the FMS and that they remain relevant to the agency's particular circumstances and operating environment. Current best practices adopted by like agencies or other jurisdictions also should be taken into account.

Unusual environments or transactions require a higher degree of internal check than repetitive, routine transactions where there is little potential for material misstatement in financial reports or the effectiveness of the agency's operations.

The use of analytical tools and statistical procedures is desirable in situations where financial and non-financial data can be expected to conform to predictable patterns or where there are high volume/low value thresholds. Compensating controls may also exist that will provide overall confidence in the validity of the transaction rather than detailed, repetitive checking.

With the increased use of ICT for the processing of data, it is important to note that while the objectives of internal control do not alter materially from manual systems, these controls may be enhanced due to the environment in which the controls operate eg. by the increased use of computer assisted audit techniques (CAATS) for the testing of data. This either may be as an extension of existing internal controls or in diminution of costly, manually resourced controls.

In the development of internal control systems, the controls appropriate to the performance management systems of agency are equally important to those relevant to the financial systems of agencies.

14.0 Internet Availablilty

All Queensland Treasury legislation, documents and guidelines referenced in these guidelines are available on the Queensland Treasury Internet site www.treasury.qld.gov.au.

15.0 Additional Assistance

Further guidance in relation to the matters contained in this document is available from the

Financial Policy Unit, Queensland Treasury, telephone 322 51603.

16.0 Appendices

The remaining sections of these guidelines identify some of the more common key internal controls, including performance management controls that should be appropriate to most agencies of reasonable size and complexity.

Given the diversity of agency operations, the items shown are not intended as an exhaustive listing of all risks that agencies may be exposed to or all appropriate internal controls. Rather, they are provided as a broad guide only.

It is essential in this regard that agencies identify and evaluate their *own* risks and develop systems of internal control that accord with their *own individual needs and circumstances*, taking into account the risk and materiality profiles of each circumstance, transaction, record, resource or system involved.

In developing systems of internal control, it is highly desirable that agencies refer to their internal audit functions and business advisory units for assistance and technical, professional advice.

As referenced earlier, a key internal control, inherent in all systems, is the need for adequate separation of duties so that no one person has complete control over all aspects of a transaction, record or resource - authorisation, recording, operational custody and eventual write-off or other disposal.

In order for these tasks to be accomplished in a consistent and precise manner there is a need for all business processes and procedures of the agency to be accurately documented. Similarly, there is a need for an adequate audit trail in respect of all transactions and records.

Because of the commonality of these controls to all systems, they are not replicated in the appendices.

Given the strong linkage between the need for cost-effectiveness in internal control and risk management, agencies may care to reference, and adapt to their own circumstances, the proforma internal control improvement planner attached as the final appendix.

In considering risk, consideration also should be given to the guidelines and documents on risk assessment referenced in section 3.0 of this paper.

A

PLANNING

Effective strategic and operational planning is integral to the efficient delivery of an agency’s outputs and to the achievement of the objectives set by each Government in its Charter of Social and Fiscal Responsibility.

At a corporate level, a strategic plan is required that defines the mission, desired future position and outputs of each agency. The plan must also incorporate strategies that will ensure the attainment of those objectives.

At an operational level, a business plan, aligned to the agency’s strategic plan, is required setting out the individual activities of each functional area of the agency.

Effective performance measures and targets must be included in each strategic and operational plan.

Critical to the planning processes are the systematic identification of opportunities and risks that may impact on the achievement of the agency’s goals and operational objectives.

Task	Risk Control Examples
<p>1. Strategic Planning.</p> <p>1.1 Develop and implement a strategic plan that expresses the purpose, role, goals and services/outputs of the agency; the strategies for their attainment; and appropriate performance measures for reviewing the progress towards achieving each goal and output.</p> <p>1.2 Ensure that agency goals and outputs harmonise with, and facilitate attainment of, the Government’s objectives as set out in its <i>Charter of Social and Fiscal Responsibilities</i>.</p> <p>Note: Each strategic plan must cover a period of at least four years and be linked to its Asset Strategic Plan and its ICT Resources Strategic Plan where these are produced as separate documents. There must also be clear linkages to its operational plans.</p>	<p>Risks: - <i>Non-alignment of agency goals and outputs with Government’s social and fiscal priorities.</i></p> <p style="padding-left: 40px;">- <i>Inability of agency to satisfy stakeholder needs due to resource insufficiency.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • A strategic plan that details agency’s mission, goals, outputs and performance measures based on a four-year timeframe. • Analyses that identify stakeholder needs, new initiatives, desired future positions and strategic issues affecting the agency, taking into account resource availability. • Identification of strengths, weaknesses, opportunities and threats, internal and external to agency and its financial and operational capacity to achieve its goals/output delivery.

Task	Risk Control Examples
	<ul style="list-style-type: none"> • Harmonisation of agency goals and the social and fiscal objectives set by the Government in its <i>Charter of Social and Fiscal Responsibility</i>. • Identification of risks taking into account AS/NZS 4360 Standard methodology. • Determination of strategies for the achievement of agency goals/output delivery and the critical success factors impacting on the attainment of those goals and outputs. • Incorporation of agency's physical asset and ICT strategic requirements in the corporate strategic plan, where these are not separately documented. • Performance measures and targets for reviewing the agency progress in achieving its goals/output delivery. • Effective consultation with key stakeholders, including appropriate Minister and Treasurer where there are material resource implications/policy changes. • Adequate documentation of planning processes and key decisions impacting on the strategic plan. • Approval of the plan by the departmental chief executive/statutory body and endorsement by the appropriate Minister. • Communication of the plan to key stakeholders and agency personnel.

Task	Risk Control Examples
<p>2. Operational Planning</p> <p>2.1 Develop and implement, for each significant functional area of the agency, an operational plan consistent with the agency's strategic plan.</p>	<ul style="list-style-type: none"> • Pro-active monitoring and reporting, on at least a quarterly basis on the achievement or otherwise of the agency's performance in terms of its performance measures and targets, including to the appropriate Minister. <p>Risk: <i>Non-alignment of operational objectives with the goals and outputs identified in the agency's strategic plan.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Identification of operational outputs and resource requirements for each functional area of the agency that align with the agency's strategic goals and outputs, having regard to resource availability. • Determination of strategies for the attainment of each operational objective and output in consultation with responsible line personnel. • Determination of suitable performance measures and targets for each operational output in terms of quality, quantity, timeliness, cost and where appropriate, location. • Performance measures that accord with Queensland Treasury's <i>Client Service Standards Policy and Guidelines</i>. • Approval of the operational plans by the responsible line manager and endorsement by departmental chief executive or delegate. • Communication of approved plan to relevant line personnel.

Task	Risk Control Examples
	<ul style="list-style-type: none"><li data-bbox="810 327 1385 465">• Evaluation of actual operational performance, on at least a monthly basis, in terms of planned performance measures and targets.<li data-bbox="810 506 1385 645">• Prompt reporting of performance information to responsible line personnel and, where appropriate, the departmental chief executive/statutory body.<li data-bbox="810 685 1385 824">• Implementation of corrective action where operational outputs are not being achieved in accordance with the planned performance measures and targets.

B

REVENUE MANAGEMENT

The revenue function relates to the effective identification, processing and management of agency accounts receivable, including debtors. Risks and internal controls appropriate to agency receipting, banking and ledgering are addressed in Section D, dealing with Cash Flow Management.

Task	Risk Control Examples
<p>1. Invoicing.</p> <p>1.1 Identify and issue invoices for all agency goods or services that qualify under user-charging guidelines or other internal or external policy directives.</p>	<p>Risk: <i>Non-identification of products and services for which a charge should be made.</i></p> <p>Control Examples</p> <ul style="list-style-type: none">• Regular identification of agency products or services that a charge should be made for, taking into account materiality and qualitative factors eg. agency community service obligations.• Periodic review of operational records that have the potential to generate revenue streams for the agency eg. workshop records.• Monitoring procedures to ensure compliance, where applicable, with the <i>National Competition Policy</i> and Queensland Treasury's <i>Full Cost Pricing Policy</i> and <i>Commercialisation of Government Services Functions in Queensland Policy</i>.• Validity checks of the data used to establish agency charges, including all non-cash expenses eg. depreciation, employee entitlements, the opportunity cost of capital employed and the allocation of administrative overheads and other oncosts.• A cost/benefit analysis of each proposed fee or charge.

Task	Risk Control Examples
<p>1.2 Confirm correctness of accounts raised and numerically account for all invoices that are issued.</p>	<ul style="list-style-type: none"> • Regular review of the quotation/invoicing relationship to ensure full recovery of quoted charges. • Benchmarking against comparable market rates. <i>Note:</i> Should be used for guidance purposes only and not as a surrogate for determination of user-charges based on full cost recovery. • Authorisation for charging for goods or services at less than full cost only by a person holding the properly delegated authority. • Evidence of consideration of qualitative issues eg. impact on agency clients, need to encourage rational choice by users and safety considerations, in deciding if a charge for a good or service is to be at less than full cost recovery. • Regular review of factors relevant to decisions to charges for goods or services at less than full cost recovery to ensure that such decisions remain relevant and reliable. • Consultation with appropriate Minister/Cabinet where there is any material increase in a charge/new charge. • Regular reassessment of existing fees and charges and incorporation of this data into budgetary processes of agency. <p>Risk: <i>Issue of invoices for incorrect amounts or loss of control over invoices that have been issued.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Pre-numbering of invoices and periodic follow-up of those not processed within a reasonable time.

Task	Risk Control Examples
<p>2. Credit Control</p> <p>2.1 Provide credit facilities only after diligent inquiry as to the capacity of the client to pay the account.</p>	<ul style="list-style-type: none"> • Accuracy checks of costing processes and the correctness of billing calculations including GST. • Matching of delivery information with invoice details. • Procedures for effective management of amounts received in advance of works or service provided. • Procedures for effective management of receivables for which invoices not raised. <p>Risk: <i>Bad or doubtful debts.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures that include credit and floor limits, debtor profile and credit reference checks and documented authorisation of credit approvals. • Maintenance of a database of slow payers and bad debtors. • A written credit policy that reflects an appropriate balance between risk of loss to agency and its community service obligations. • Procedures for obtaining security deposits, guarantees, indemnities or payments in advance, where appropriate. • Procedures to determine the need for and effective management of progress payments.

Task	Risk Control Examples
<p>3. Returns.</p> <p>3.1 Authorise credit for returns on proper authority and for valid reasons only.</p>	<p>Risk: <i>Unauthorised credit for materials or services supplied.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Pre-numbering of credit notes and follow-up of uncleared items. • Verification of returns with inventory or other relevant records, eg. original invoice. • Authorisation of credits only by properly delegated personnel, not connected with receipting or debtors' functions.
<p>4. Debt Control.</p> <p>4.1 Ensure accurate maintenance of debtors' accounts and prompt follow-up of arrears.</p>	<p>Risks: - <i>Inaccurate recording of debtors' accounts/delays in follow-up of accounts;</i> - <i>Cash flow deficiencies.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Maintenance of debtors' control account and subsidiary ledgers. • Prompt (at least monthly) reconciliation of individual debtor's balances with control account totals. • Ageing of individual debtor's balances and prompt follow-up of outstandings in excess of agency credit limits policy, including independent review and documented follow-up action taken.

Task	Risk Control Examples
<p>5. Non-Cash Revenues.</p> <p>5.1 Ensure that all non-cash revenues are properly recognised and recorded.</p>	<ul style="list-style-type: none"> • Authorisation of write-offs only by personnel holding properly delegated authority, not connected with receipting or ledgering functions and only after all due processes for collection are completed, taking into account the cost/benefits of collection. • Monitoring of complaints as to service performance/disputed accounts. • Performance management reviews, including use of ratios for debtors' turnover and bad debts. <p>Risk: <i>Non-identification of non-cash revenues.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures that ensure recognition of goods or services received by donation or at less than fair value at their fair values. • Maintenance of a record of reportable gifts in accordance with the requirements of the Financial Management Standard for all gifts received/made with a value in excess of \$250.

C

EXPENSE MANAGEMENT

This function relates to the ordering processes, receipt of the services or materials according to order and to the payment and ledgering of the resultant expenses.

Task	Risk Control Examples
<p>1. Vendor Qualification.</p> <p>1.1 Identify agency requirements and procure only from properly accredited vendors capable of meeting the needs of the agency on a timely basis.</p>	<p>Risk: <i>Inadequate vendor screening, relating to vendor's ability to meet service and quality standards, price, delivery times, etc.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Monitoring procedures that ensure consistency with product quality in terms of prior vendor performance and the State Purchasing Policy (reissued June 2000). <p>Risk: <i>That a breach of the Trade Practices Act occurs.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Appropriate training of procurement personnel on Trade Practices Act requirements. • Appointment of a Trade Practices Advisory Officer, where appropriate.
<p>2. Agency Service Requirements.</p> <p>2.1 Order materials/services that best meet the service requirements of the agency.</p>	<p>Risk: <i>Inappropriate vendor deliverables.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Specification of agency requirements by experienced, qualified personnel. • Negotiation of contracts/other purchases only by personnel who have received appropriate training eg. through Queensland Purchasing certification program.

Task	Risk Control Examples
<p>3. Pricing.</p> <p>3.1 Obtain goods/services required by agency at optimal value for money.</p>	<ul style="list-style-type: none"> • Ongoing monitoring of vendor performance in terms of quality, quantity, timeliness and value for money. <p>Risks: - <i>Inappropriate pricing;</i> - <i>Inflated prices;</i> - <i>No value for money.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Competitive and open bidding and tendering processes. • Clear tender specifications and evaluation criteria. • Negotiation of volume and other trade discounts. • Periodic review of purchases for pricing consistency and continuing competitive advantage to agency. • Adherence to Department of Works <i>Value for Money Better Purchasing Guide.</i>
<p>4. Purchase Orders.</p> <p>4.1 Authorisation of procurement orders only under properly delegated authority.</p>	<p>Risks: - <i>Issue of orders for unofficial purposes;</i> - <i>Lost or unaccounted orders;</i> - <i>Duplicated orders.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Pre-numbering and sequential accounting for purchase orders used, including follow-up of missing orders. • Physical security over unissued orders. • Procedures to effectively manage unfilled and part-filled orders. • Matching of materials ordered against job requirements to avoid over-ordering.

Task	Risk Control Examples
<p>5. Goods and Services Tax</p> <p>5.1 Ensure adequate control over GST obligations.</p>	<ul style="list-style-type: none"> • Approval of order, contracts and contract variation only by personnel holding properly delegated authority. • Periodic vendor notification of agency personnel authorised to issue orders, if practicable. • Where formal orders are not issued, use of alternative records eg. day books. <p>Risk: <i>GST input tax credits not correctly claimed or recovered.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Tax invoices obtained for all expenses to be reimbursed by agency. • Fully indexed storage of tax invoices for tax audit purposes. • Monitoring of timeliness of GST returns. • Late returns and process control deficiencies promptly investigated. • Ledgered revenues/expenses compared with GST input tax credits paid/claimed. • Formulae for allocating expenses to input taxed and non-input taxed activities reviewed regularly. • Control requirements of Queensland Treasury's <i>GST Prudential Audit Toolkit</i> observed.
<p>6. Receipt of Materials/Services.</p> <p>6.1 Ensure goods/services required by agency are received on a timely basis and according to order.</p>	<p>Risks: - <i>Non-delivery or delays of materials or services ordered;</i> - <i>Defective materials/products.</i></p> <p>Control Examples</p>

Task	Risk Control Examples
<p>7. Unused Services or Materials Returned to Suppliers.</p> <p>7.1 Ensure that appropriate credit received for returned materials and unused services.</p>	<ul style="list-style-type: none"> • ‘Tracking’ of materials received by way of pre-numbered goods received/goods inward dockets/day books or equivalent. • Verification of materials and services received against purchase orders, corporate card authorisations or other record of items ordered in terms of quality, quantity, timeliness, cost and where appropriate, location and appropriate certification to this effect. • Prompt follow-up of discrepancies between materials and services ordered and received. • Prompt recording of materials received into the stock system. • Follow-up of unfilled or part filled orders, including agency corporate cards. • Follow-up of delivery dockets that cannot be matched with orders. • Ongoing monitoring of vendor performance in terms of timely delivery and product/service quality. <p>Risk: <i>Non-credit by supplier.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Use of pre-numbered ‘credit return’ forms and periodic sequence check for completion of refund/replacement action. • Advice to accounts payable section and vendor of returned items/services not provided. • Advice to supplier of sub-standard service performance/materials supplied

Task	Risk Control Examples
<p>8. Corporate Card Purchases.</p> <p>8.1 Ensure agency corporate card use, including fuel cards, toll cards, phone cards, cab charges and credit cards is restricted to official purposes only and, in respect of departments only, use of cards complies with:</p> <ul style="list-style-type: none"> - Treasurer's <i>Guidelines for the Use of the Queensland Government Corporate purchasing Card</i>; - Office of the Public Service <i>General Guidelines for Personal Expenses and the Use of Credit Cards for Public Service Employees</i>. 	<p>Risk: <i>Unauthorised use of corporate card facilities/incorrect charges to agency accounts.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Evidence of business need for corporate card use, including a cost/benefit analysis of proposed procurement profiles. • Appointment of a program administrator, where appropriate. • Maintenance of a record of cardholders and periodic review as to need for continued use of card facilities/continued employment of cardholder with agency. • Use of corporate cards by authorised agency personnel only. • Credit limits for individual cardholders/individual transaction limits. • Adequate cardholder training as to appropriate use of cards. • Monitoring procedures that ensure compliance with: <ul style="list-style-type: none"> - Treasurer's <i>Guidelines for the Use of the Queensland Government Purchasing Card</i>; - Office of Public Service <i>General Guidelines for Personal Expenses and the Use of Credit Cards by Public Service Employees</i>; and - Card provider's conditions of use.

Task	Risk Control Examples
<p>9. Statutory and Regulatory Payments.</p> <p>9.1 Ensure payments made by agency accord with statutory or regulatory terms or conditions</p>	<ul style="list-style-type: none"> • Regular review of ‘internet’ procurements, including review of outstanding orders and that payments made are consistent with orders in terms of quality, quantity, cost and timeliness. • Prohibition on cash withdrawals and private expenses. • Periodic review for evidence of responsible use of and accountability for, credit card transactions, including adequate description of purchases made. • Purchasing and authorisation delegations for each cardholder. • At least monthly reconciliation of card transactions against invoice slips, supporting invoices, goods and services received reports, etc. and acknowledgment by users as to receipt of goods and services provided. • Prompt follow-up of discrepancies and irregularities, including excessive use of card and unsupported charges. • Adequate physical security of cards and vouchers eg. cabcharge docketts while not in use and stocks of unused docketts. • Review of non-sequential use of docketts. • Procedures to handle lost or stolen cards. • Prompt return of cards on termination of authority to use or cessation of user’s employment with agency. <p>Risks: - <i>Incorrect calculation of payments;</i> - <i>Payments not in accordance with legal or regulatory basis.</i></p>

Task	Risk Control Examples
<p>10. Grants and Contributions.</p> <p>10.1 Ensure payments consistent with terms and conditions of grant or contribution and that management complies with Queensland Treasury's <i>Guidelines for Grant Administration</i>.</p> <p>10.2 Ensure compliance with GST rulings: - GSTR 2000/4 'Appropriations'; and - GSTR 2000/11 'Grants of Financial Assistance'.</p>	<p>Control Examples</p> <ul style="list-style-type: none"> • Confirmation of payment calculations with originating authority eg. regulation, deed or other prime documentation. <p>Risks: - <i>Payments not made in accordance with terms and conditions of grant/subsidy;</i> - <i>Over or under-payments.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Consistency of grant/subsidy conditions with agency goals and outputs. • Documented strategies for targeting priority recipients. • Procedures to manage costs and administration. • Documentation of appraisal and approval processes, including evidence of fairness of decisions and review comments. • Approval of grant or contribution only by person holding properly delegated authority. • Ongoing review and confirmation that all payments made accord with terms and conditions of grant/ subsidy. • Observance of program management principles in administration of grant/ subsidy.

Task	Risk Control Examples
<p>11. Costing and Ledgers.</p> <p>11.1 Ensure accuracy and consistency of costing processes and provision of relevant, reliable and timely information for internal and external reporting purposes.</p>	<ul style="list-style-type: none"> • Monitoring procedures that ensure compliance with Queensland Treasury's <i>Guidelines for Grant Administration</i>. • Procedures that ensure grants are clearly identified as reciprocal/non-reciprocal for recognition purposes, including provision that unspent grants be returned to issuing authority. • Monitoring procedures that ensure compliance with the relevant Taxation Office GST rulings. <p>Risks: - <i>Expenses costed to incorrect codes or not costed consistently;</i> - <i>Management expense information that is not timely, relevant and reliable.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Maintenance of an agency specific chart of accounts consistent with its activities, functions and outputs and periodic review to ensure continued appropriateness. • Processes that accurately map agency expense movements with WOGFIR codes and TRIDATA reports. • Compliance with Queensland Treasury's <i>Managing for Outcomes - Output Costing Guidelines</i>, where appropriate. • Confirmation of expense reports by cost centre managers and evidence of follow-up and resolution of discrepancies. • Provision of timely, relevant and reliable information on agency expenses for internal and external reporting.

Task	Risk Control Examples
<p>12. Payments of Accounts.</p> <p>12.1 Accurately account for invoices received on a timely basis.</p> <p>12.2 Ensure all available trade and other discounts are received.</p>	<p>Risk: <i>Payment of accounts not properly ordered or authorised or duplicated payments.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Matching of order/receivals/invoice details to ensure payments made only for goods or services ordered/received. • Regular follow-up of unfilled and part-filled orders. • Vendor statement reconciliations, where issued, including follow-up of all 'over 30 day outstanding' amounts. • Maintenance of record of special payments in accordance with requirements of Financial Management Standard. • Maintenance of adequate petty cash records for small value purchases and periodic independent review. <p>Risk: <i>Discounts not received due to late processing of invoices.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Evidence of proactive attempts to obtain available trade and other discounts, taking into account agency's cash management practices. • Investigation of unmatched data before due date for payment. • Accounts payable system that recognises discount dates.

Task	Risk Control Examples
<p>12.3 Ensure payments are made only in accordance with the agency's Instrument of Delegation.</p>	<p>Risk: <i>Authorisation of payments without properly delegated authority.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Authorisation of expense vouchers prior to payment only by persons holding properly delegated authority. • Certification of payments, including appropriate reasonable check that: <ul style="list-style-type: none"> - Transactions are in accordance with order/tender/corporate card authorisation; - Costing details are accurate; - Payment not previously made; - Arithmetical correctness; - Discounts availed of, where available. • Regular review of system exception reports. • Regular review and update of agency's Instrument of Delegation.
<p>13. Electronic Trading.</p> <p>13.1 Ensure that adequate controls exist over payments made by electronic fund transfers or direct debits to agency bank accounts.</p>	<p>Risk: <i>Payment of non-existent or unauthorised accounts.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Authorisation of E.F.T. payments from, or direct debits to agency's bank account(s) only by properly delegated personnel.

Task	Risk Control Examples
<p>14. Cheque Runs.</p> <p>14.1 Ensure adequacy of controls over drawing of agency cheques and security of unused cheques held.</p>	<ul style="list-style-type: none"> • Evidence of verification of bank statement debits not represented by an agency cheque, against E.F.T./direct debit approvals and supporting invoice/other documentation. • Prompt follow-up and actioning of E.F.T. rebankings. • Prompt follow-up and resolution of discrepancies/unusual transactions. • Certification as to correctness of transactions. • Control over transfer of payment information to banks. • Restricted access to prevent changes to data on transfer files. • Consistent costing. • Compliance with relevant <i>Electronic Document Interchange (EDI) Standard</i>. <p>Risk: <i>Unauthorised use of cheques.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Reconciliation of cheque runs with system reports/batch header totals. • Procedures that effectively manage cancelled or spoilt cheques. • ‘Manual’ cheques signed by authorised persons only (at least two signatories). • Adequate security over unused cheques and cheque signatory plates while not in use.

Task	Risk Control Examples
<p>15. Fringe Benefits.</p> <p>15.1 Ensure adequate control over fringe benefit tax liability of agency.</p>	<ul style="list-style-type: none"> • Prohibition of ‘bearer’ cheques, cheques signed in advance and cheques otherwise unsupported by appropriate documentation. • Evidence of acquittance of cash transactions. <p>Risk: <i>Breach of Fringe Benefit Tax Assessment Act 1986.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Adherence to record keeping requirements of <i>Fringe Benefits Tax Assessment 1986.</i> • Maintenance of log books for private/official use of motor vehicles. • Adequate supporting documentation for any reductions of Fringe Benefits Tax. • Timely submission of FBT returns. • Timely payment of FBT liability.
<p>16. Frequent Flyer Schemes.</p> <p>16.1 Ensure adequate control over the management of agency frequent flyer schemes.</p>	<p>Risk: <i>Personal use of official frequent flyer points.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Agency sponsored membership clearly distinguished from private membership. • Declaration by applicants that all benefits accruing will be applied for official purposes only.

Task	Risk Control Examples
<p>17. Tenders.</p> <p>17.1 Ensure efficient and effective tendering processes.</p>	<ul style="list-style-type: none"> • Frequent flyer points not to be used for ‘upgrades’ to a class of travel officer not ordinarily entitled to. • Procedure to check points and seats availability when booking travel. • Maintenance of a central record of each participating officer’s membership points accumulation and loss/redemption of points. • Procedures that ensure prompt termination of an officer’s membership on cessation of employment/need for membership. • Periodic independent review of membership records. • Observance of Office of the Public Service <i>Guidelines for the Management and Control of Frequent Flyer Schemes.</i> <p>Risk: <i>Unsatisfactory and/or inefficient purchases.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Agency purchasing delegations as required under the State Purchasing Policy adequately address the circumstances in which tenders must be called, including issues such as appropriate approval to issue tender, number of offers called, written or verbal etc. • Agency purchasing delegations under <i>State Purchasing Policy</i> address circumstances in which tenders must be called and directions as to approvals to call tenders, etc.

Task	Risk Control Examples
<p>18. Other (Non-Cash) Expenses.</p> <p>18.1 Ensure adequate control over non-cash expenses eg. depreciation and employee entitlements.</p>	<ul style="list-style-type: none"> • Clear tender specifications and evaluation criteria. • Where a significant tender is awarded to an 'in-house' unit of an agency, entry into a performance agreement between the appropriate Minister and CBRC. • Adherence to <i>Inviting Offers Better Purchasing Guide</i> published by the Department of Works <p>Risk: <i>Unplanned future costs to agency.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Refer section G - <i>Asset Management</i> and section H - <i>Liability Management</i> respectively for control examples relating to depreciation, employee entitlements and other (non-cash) provisions.

D

CASH FLOW MANAGEMENT

The cash flow management function relates to effectively managing the agency’s cash resources, including its receipting, banking, ledgering and bank reconciliation processes and investment of surplus funds.

Task	Risk Control Examples
<p>1. Forecasting Cash Flows.</p> <p>1.1 Accurately forecast cash balances to optimise funds invested, maximise investment income and avoid funding shortfalls.</p> <p>1.2 Accelerate collection of agency revenues to extent practicable.</p>	<p>Risk: <i>Inaccurate, untimely or unavailable financing flows.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Information systems that identify major sources of revenue and expenses, including capital receipts and expenses, and the timing of such cash flows. • Periodic comparison of cash flow projections with actual results to establish accuracy of estimates. • Ongoing review of bank statement balances to establish that funds held in low interest accounts are minimised. <p>Risk: <i>Delayed collection of agency revenue.</i></p> <ul style="list-style-type: none"> • Arrangements whereby payments may be made direct to agency’s bank account. • Effective management of direct deposits to agency bank accounts to ensure prompt identification and receipt. • Acceptance of payments by credit card, other than for taxation payable to the Consolidated Fund, where appropriate and cost-effective.

Task	Risk Control Examples
<p>2. Receipting.</p> <p>2.1 Ensure adequate control exists over collection and opening of agency's mail.</p>	<ul style="list-style-type: none"> • Discount for timely payment of accounts, where in accordance with Government and agency cash management policies. • Regular review and follow-up of receivables. • Documentation and strict enforcement of agency's collection policies, including regular review of receivables and prompt follow-up of overdue accounts. <p>Risk: <i>Cash or cheques misappropriated or diverted prior to receipting,</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Security over mail collection, including: <ul style="list-style-type: none"> - Post box keys held by, or mail collection restricted to, authorised personnel only; - Deliveries to central mail opening area in locked mail bags; - Two persons opening mail (including mail personally addressed) and entry of cash by post records in each others presence; - Both mail opening officers initial cash by post records as evidence of correctness; - Mail collection, opening and recording of cash and cheques by personnel independent of receipting and debtors functions;

Task	Risk Control Examples
<p>2.2 Record collections promptly, accurately, completely and in the period to which they relate.</p>	<ul style="list-style-type: none"> - Immediate stamping of all cheques received (through the mail and by cashiers) with 'not negotiable – account payee only'. Similarly, all 'bearer' cheques to be endorsed to 'order'; - Periodic independent review of cash by post records to ensure that all entries have been receipted or that there is evidence of authority for cheques returned to drawer. - Rotation of staff allocated responsibility for opening mail. • Maintenance of post-dated cheques records and periodic independent review of clearance action. • Maintenance of an accountable money forms record and regular independent identification of unused stocks on hand. • Immediate investigation and report on missing forms. <p>Risk: <i>Cash or cheques misappropriated or otherwise not accurately and promptly accounted for.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Adequate physical protection and security over cashing, including where material, video surveillance, alarms and regular clearance of surplus cash. • Secure cash register terminal access, including password controls; • Secure hand-over arrangements and in respect of cash in transit.

Task	Risk Control Examples
<p>3. Bankings.</p> <p>3.1 Ensure bankings are made promptly and intact.</p>	<ul style="list-style-type: none"> • Adequate strong-room facilities, access to which is restricted to authorised personnel, independent of cashiering functions. Where material cash amounts are held, timed access and alarms should also be considered. • Maintenance of a dishonoured cheques records and regular independent review of clearance action. • Over-the-counter receipts correctly costed and coded. • Receipt of moneys by credit card, eftpos, B-pay or similar reconciled to bank summaries. • Reconciliation and verification of branch/agency/field/direct deposit and electronic funds transfers. • Contingency manual receipting. • Sequential numbering of field receipts with each accounted for. • Agreement of receipt totals with posting summaries. <p>Risks:</p> <ul style="list-style-type: none"> - <i>Banking delayed or misappropriated.</i> - <i>Interest not maximised.</i> <p>Control Examples</p> <ul style="list-style-type: none"> • Independent verification of banking with receipt listings or cash terminal audit totals. • Rotation of banking activities. • Minimum daily banking.

Task	Risk Control Examples
	<ul style="list-style-type: none"> • Collections received after daily banking and dishonoured cheques deposited or redeposited separately, where practicable. • Acquittal of bankings taken to bank and independent verification of bank deposit records on return from banking. • Verification of branch, field and agency collections, eg. use of triplicate receipts, agreement with cash terminal audit totals, or recall of receipt books for head office verification against confirming receipts. • Agreement of direct deposits with confirming receipts. • Interim banking where collections are material, particularly prior to weekends and public holidays. • Banking times and routes varied to extent practicable. • Security collection, where material cash deposits held for banking. • Reconciliation of bankings with cash journal totals.
<p>4. Cash Journals.</p> <p>4.1 Ensure receipt postings are accurate and reconciled promptly to bank deposit totals.</p>	<p>Risk: <i>Incorrect recording and coding of revenues.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Agreement of receipt listings, bank deposits and cash journal totals. • Independent check of foregoing. • Authorisation of refunds only by persons holding properly delegated authority and unconnected with debtors' and receiving functions.

Task	Risk Control Examples
<p>5. Costing and Ledgers.</p> <p>5.1 Ensure accuracy and consistency of agency's revenue/cost coding processes and information provided for internal, external and whole-of-Government reporting purposes.</p>	<p>Risks: - <i>Receipts and expenses costed to incorrect codes or not costed consistently.</i> - <i>Non-harmonisation of agency and TRIDATA information and reports.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Reasonableness reviews of accuracy and consistency of postings to agency ledger accounts. • Mapping of agency chart of account codes with WOGFIR codes and TRIDATA reports. • Confirmation of revenue/expense reports by relevant function/activity managers and evidence of follow-up and correction of discrepancies. • Provision of timely, relevant and reliable information on revenues/expenses to enable effective performance management and internal and external reporting.
<p>6. Bank Reconciliations.</p> <p>6.1 Ensure bank reconciliations prepared at least monthly and that all errors, irregularities and other discrepancies are promptly investigated and adjusted.</p>	<p>Risk: <i>Errors and irregularities not promptly identified and rectified.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • At least monthly preparation of bank reconciliations. • Prompt, detailed follow-up of all errors, irregularities, unidentified entries and other adjustments.

Task	Risk Control Examples
<p>7. Short Term Investments.</p> <p>7.1 Ensure that temporarily surplus funds are invested on short-term money market at most beneficial rate and in accordance with policy and legislative requirements.</p>	<ul style="list-style-type: none"> • Regular follow-up of outstanding deposits and unrepresented cheques, including transfer to Treasurer's Unclaimed Money's Fund, where appropriate. • Independent review and 'sign-off'. <p>Risk: <i>Unproductive resources held.</i></p> <p><i>Note: Although the following control examples are relevant to statutory bodies they may not all be applicable to departments given that any surplus funds held by them are centrally managed.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Cash flow forecasts that facilitate maximum investment of temporarily surplus funds on short-term money market. • Documented evidence of competitive money market quotes. • Independent review or approval of daily movements in investment profile. • Periodic independent review for continued 'best value' investment terms. • Maintenance of short-term investment records, including details of investment, income due, dates payable and investment redemptions. • Reconciliation of short-term investment record entries with substantive investment income received, investment redemptions, investments held and general ledger controls account, where applicable.

Task	Risk Control Examples
<p>8. Long Term Investments.</p> <p>8.1 Ensure funds surplus to long-term needs of agency (over 12 months) are invested at optimal rates.</p>	<ul style="list-style-type: none"> • Periodic verification of short-term investments held, as per record of short-term investments with supporting documentation. <p>Risk: <i>Unproductive resources held.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Identification of potential long-term cash surpluses and strategies for most advantageous utilisation of funds, including internal use. • For departments, consideration of equity adjustment in lieu of long-term investment. • Maintenance of record of long-term investments, including details of investments, income due, dates payable and redemption details. • Regular reconciliation of long-term investment records with substantive investment income received, investment redemptions, investments held and general ledger control account, where applicable. • Periodic verification of long-term investments held, as per record of long-term investments, with borrower.

E

HUMAN RESOURCES MANAGEMENT

This function deals with the activities relating to the management of the agency's personnel processes, including payroll and employee data.

Task	Risk Control Examples
<p>1. Legal Compliance.</p> <p>1.1 Ensure compliance with applicable laws, regulations, awards, enterprise bargaining agreements and internal management policies.</p> <p>2. Personnel Processes.</p> <p>2.1 Maintain a high standard of human resource management and recording practices that meet industrial requirements and agency's own reporting needs.</p>	<p>Risk: <i>Personnel unaware of statutory and other regulatory policies and directives relating to agency or failure to correctly interpret or implement.</i></p> <p>Control Examples</p> <ul style="list-style-type: none">• Adequate training of appropriate agency personnel on industrial relations and regulatory policies.• Ongoing review and update of agency policies and procedures for compliance with applicable statutory, regulatory and other requirements. <p>Risk: <i>Personnel unaware of, or not conversant with, records that must be maintained to ensure compliance with applicable statutory and other requirements.</i></p> <p>Control Examples</p> <ul style="list-style-type: none">• Professional development of human resource personnel, including maintenance of current industry and sector knowledge and relevant data systems.• Use of logs and checklists that ensure records are received promptly, acted upon and retained in accordance with statutory and other regulatory requirements.

Task	Risk Control Examples
<p>2.2 Recruit and retain appropriately qualified personnel.</p>	<ul style="list-style-type: none"> • Periodic reviews of validity, accuracy and completeness of personnel information held, including input data. • Access to payroll and personnel records restricted to authorised persons only. • Periodic rotation of duties, where practicable, and a policy regarding the non-accumulation of annual leave in excess of more than two years' entitlements. <p>Risks: - <i>Employment of unqualified or inexperienced personnel.</i> - <i>Agency fails to operate effectively.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Personnel screening and recruitment practices that ensure appointments are only on merit, qualifications and suitability for position sought. • Recruitment criteria and position descriptions sufficient to measure employee performance. • Assessment of personnel needs as part of ongoing human resource planning process. • Adherence to employment evaluation manual, position requirements, CED evaluation procedures and like directives. • Where financial management skills are important, recognition of Queensland Treasury's <i>Service Wide Financial Management Competencies</i> criteria. • Adequate planning to ensure that only appropriately skilled and qualified staff undertake relieving duties.

Task	Risk Control Examples
<p>2.3 Minimise staff turnover to a reasonable level.</p>	<ul style="list-style-type: none"> • Assessment of employee performance in terms of individual personal performance evaluation and review processes. <p>Risks: - <i>Loss of qualified and experienced personnel.</i> - <i>Additional costs of recruitment.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Maintenance of high standards of leadership and employee morale • Adherence to EEO principles, including avoidance of favouritism, sexism and cronyism in workplace practices. • Regular review of salaries and other employee benefits in accordance with any enterprise bargaining arrangements. • Feedback and other interactive communication strategies
<p>3. Appointments, Terminations and Leave Processing.</p> <p>3.1 Establish and maintain adequate controls over staff appointments, terminations and leave processes.</p>	<p>Risks: - <i>Incorrect payroll data entry.</i> - <i>Overpayments.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Maintenance of secure records and written authorisation for all employee appointments, promotions, transfers and terminations, including in respect of casual and contracted employees. • Maintenance of secure records and written authorisation for all leave taken and reconciliation with payroll records • Regular review of accuracy of personnel records.

Task	Risk Control Examples
<p>4. Payroll Accuracy.</p> <p>4.1 Ensure accuracy of employee timekeeping and payroll calculations.</p>	<ul style="list-style-type: none"> • Processes for termination issues, including payroll deletions, ICT access and security and return of agency resources, including keys, entry, corporate and identification cards. <p>Risk: <i>Invalid rates resulting in overpayments/underpayments.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Adequate timekeeping and supervisory processes, particularly for non-standard times, eg. shiftwork, flexible working arrangements, banked time, overtime, etc. • Supporting documentation for all payroll variations, including casual and contracted employees. • Prompt notification of all variations to the payroll section, particularly in respect of transfers and terminations. • Independent verification of payroll variations prior to system input. • Highlight messages for pay variations over/under defined limits. • Written authorisation of overtime and special allowances and verification prior to system input. • Prompt follow-up of employee queries.

Task	Risk Control Examples
<p>4.2 Ensure accuracy of payroll deductions.</p>	<p>Risk: <i>Unauthorised or incorrect deductions from amounts paid to employees.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Employee authorisations for all non-statutory deductions. • Reconciliation of deductions with cheques drawn, group certificates and employee payroll records. • Prompt issue of group certificates on termination of an employee. • Procedures to effectively manage unclaimed group certificates.
<p>4.3 Ensure security over payroll distribution.</p>	<p>Risk: <i>Errors or irregularities in payroll calculations.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Reconciliation of net payroll totals with substantive payments made to employees. • Security procedures for cash or cheque pays, where applicable.
<p>4.4 Ensure adequate follow-up of errors and irregularities in payroll records and establish correctness of payroll totals.</p>	<p>Risk: <i>Errors or irregularities in payroll calculations.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Reconciliation of gross and net pays with employee payments and payroll deductions. • Prompt follow-up of error and exception messages and reports. • Verification of payroll computations and certification as to correctness.

Task	Risk Control Examples
	<ul style="list-style-type: none"> • Periodic certification as to physical existence of employees by section managers/independent confirmation, where warranted, particularly in relation to casual and temporary staff. • Reconciliation of interfaced transactions between financial management and payroll systems (where not integrated) to ensure all transactions correctly posted to General Ledger. • Advice provided to raise accounts receivable for debts incurred by agency personnel, where applicable. • Reconciliation between total payroll bank deduction and total payroll costed to General Ledger to ensure appropriate ledgering of manual advances, stop payments and other payroll adjustments.

F INVENTORY MANAGEMENT

This function relates to the effective management and safeguard of the agency's bulk stores and other inventories.

Task	Risk Control Examples
<p>1. Strategic Considerations.</p> <p>1.1 Assess strategic requirements of agency to ensure that inventories are maintained at a cost-effective level.</p>	<p>Risks: - <i>Inventories and other consumables excessive to agency requirements taking into account lead-in times and safety stock factors.</i></p> <p>- <i>Insufficient inventory to support agency outputs and service needs.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Periodic assessment of existing inventory holdings, taking into account agency requirements, cost/benefit of holding stocks and maintenance costs. • Consideration of 'just in time' and 'partnering' arrangements with outside suppliers and other agencies. • Rationalisation of physical location of stock, taking into account efficiency and effectiveness of transport and electronic communication processes.
<p>2. Ordering.</p> <p>2.1 Ensure materials and other inventories are ordered only on valid requisition and at most cost-effective basis.</p>	<p>Risks: - <i>Improper ordering of stores.</i></p> <p>- <i>Stores not acquired at best value for money.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Documented processes for determining usage rates (client demand), order cycles, lead times and safety stock factors.

Task	Risk Control Examples
<p>3. Inventory Receipt and Recording.</p> <p>3.1 Ensure adequacy of controls over materials received into store.</p>	<ul style="list-style-type: none"> • Store orders authorised only by persons holding properly delegated authority. • Open and competitive procurement procedures that ensure materials and services purchased at optimal value for money, ie. adequate quotation and tendering processes. • Procedures to effectively manage and follow-up unfilled and long outstanding orders and part-filled orders. • Follow-up of orders filled but no invoice presented. <p>Risk: <i>Misappropriation of stores prior to recording into store/incorrect quantity or quality supplied according to order.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Inspection, counting and other verification of stores received against delivery dockets/day books/goods inwards forms and certification as to correctness by stores personnel. • Procedures for recording variations in inventories supplied (quality, quantity, breakages and shrinkages, etc) and follow-up to ensure an appropriate credit or other adjustment is received from supplier. • Procedures to effectively manage direct supply lines and the monitoring of stock use. • Physical separation of materials received prior to inventory recording and issues pending delivery, from general stores items.

Task	Risk Control Examples
<p>4. Issues.</p> <p>4.1 Ensure adequacy of control over items issued from store.</p>	<ul style="list-style-type: none"> • Maintenance of inventory records, based on a 'single item of supply' concept. • Setting and on-going review of minimum and maximum stores levels. • Evidence of efforts to standardise, rationalise and contain the range of inventories held to a cost-effective minimum while still maintaining adequate service delivery quality. <p>Risk: <i>Inventory items not issued on properly authorised requisitions and for valid use within an agency.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Issues made only on properly authorised, pre-numbered requisitions. • Documented procedures for pricing and costing of issues. • 'Real time' update of inventory records.
<p>5. Scrap/returns to Store.</p> <p>5.1 Ensure items surplus to job requirements and usable scrap are adequately controlled.</p>	<p>Risks: - <i>Items returned to stock not promptly recorded in inventory records.</i> - <i>Misuse of surplus stock.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures to ensure that issues surplus to requirements and scrap with a residual value are promptly returned to stock and recorded in the inventory records.

Task	Risk Control Examples
<p>6. Stores Security.</p> <p>6.1 Ensure adequate security of inventories held and restrict access to authorised personnel only.</p>	<p>Risk: <i>Stores items subject to theft, damage or misuse.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Access to stores areas restricted to authorised agency personnel only. • Housing of stores in an orderly and structured manner. • Adequate protection of stores, including items held by third parties, against loss, fire and other risks. • Additional security over high value and 'portable and attractive' items • Procedures for the issue of stores under emergent situations or out-of-hours.
<p>7. Inventory Verification.</p> <p>7.1 Conduct regular inventory verification to confirm correctness of general ledger balances and identification of any under-performing, surplus, damaged or obsolete items.</p>	<p>Risks: - <i>General ledger balances not in agreement with subsidiary records/surplus.</i> - <i>Redundant stocks held.</i> - <i>Undetected losses or deficiencies.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Regular or rolling stocktakes by persons independent of storekeeping processes. • Comprehensive documentation in support of stocktake processes, including certification of stocksheets by verifying officers.

Task	Risk Control Examples
<p>8. Inventory Valuations.</p> <p>8.1 Ensure that inventories are fairly valued and disclosed in agency financial reports.</p>	<ul style="list-style-type: none"> • Separation of non-stock items (scrap, pending delivery, etc) from other inventories. • Adequate bin labelling and stores access. • Clear procedures for stocktake 'cut-offs'. • Verification of inventories held by third parties, including those 'on loan' and at subsidiary sites and depots. • Approval of stocktake adjustments only by properly delegated agency personnel, independent of stores functions and only after due and diligent inquiry. • Adequate procedures, eg. error and exception reports and stock turnover ratio analysis, for identification of slow-moving, surplus, damaged and obsolete stores and adherence to agency policy in relation thereto. <p>Risk: <i>Financial report values not fairly represented.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Valuation of inventories in accordance with Australian Accounting Standard AAS 2 – <i>Inventories</i>. • Consistency of valuation methodology and supporting documentation. • Reconciliation of subsidiary stock records with general ledger control totals, where maintained. If not maintained, other internal check over correctness of stocktake values and totals.

Task	Risk Control Examples
<p>9. Write-offs.</p> <p>9.1 Ensure that write-offs are adequately documented and authorised.</p>	<ul style="list-style-type: none"> • Performance management reviews, including stock turnover ratios, variance analyses, etc. <p>Risks: - <i>Misappropriated stock through improper or unauthorised write-off.</i> - <i>Surplus or obsolete stocks held.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Stocktake procedures that promptly and accurately identify stores shortages and slow-moving, obsolete and surplus stores. • Write-off of shortages only by appropriately delegated personnel who are independent of storekeeping processes and after diligent inquiry. • Procedures for internal use or disposal of slow-moving, obsolete or surplus stock eg. transfer to another section of agency or sale by tender. • Independent certification of obsolete stock disposed of eg. dumping or transfer to another agency at no cost. • Adjustments of stock and general ledger balances. • Ongoing monitoring of stock discrepancy patterns and trends.

G

ASSET MANAGEMENT

The function relates to the effective management and safeguarding of the agency's physical and intangible assets and related depreciation issues.

Task	Risk Control Examples
<p>1. Strategic Considerations.</p> <p>1.1 Assess strategic requirements of agency and need to hold existing assets.</p>	<p><i>Risk: That assets held are in excess of agency needs or are insufficient to meet the future service requirements of the agency.</i></p> <p>Control Examples</p> <ul style="list-style-type: none">• A strategic plan that supports the agency's corporate goals and links its asset requirements with its service environment and stakeholder needs.• Periodic assessment of current level and configuration of agency's assets, including their physical condition, functionality, location, whole-of-life costs, relationship with other agencies and future maintenance requirements.• Identification of ongoing investment required to maintain service potential of agency assets.• Identification of surplus, redundant or 'lazy' assets or assets improperly maintained and development of a strategy for their more effective utilisation, disposal or refurbishment.

Task	Risk Control Examples
<p>2. Asset Acquisitions.</p> <p>2.1 Ensure that need for new acquisitions is properly assessed and authorised and that assets are only acquired in accordance with the State Purchasing Policy.</p>	<ul style="list-style-type: none"> • Procedures that identify options to fill gaps between agency's forecasted asset needs and funding constraints, including identification of potential private sector involvement and alternatives to asset purchase, eg. lease or hire options. • For departments only, monitoring procedures that ensure application of Queensland Treasury's <i>Capital Investment Strategic Planning Guidelines</i>. • Referral of major policy changes and resource implications to appropriate Minister, Treasurer and other agencies, to extent appropriate. <p><i>Risk: Assets not acquired on the basis of agency's optimal needs after valid tendering, ordering and authorisation processes.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Written evaluations of investments in all new asset acquisitions, with a value of \$1 million or more, including a review of other options that might better meet the service requirements of the agency. • Evaluations based on sound selection criteria, consistently applied. • Monitoring procedures that ensure consistency with Queensland Treasury's Project Evaluation Guidelines and its Policy Framework for Private Sector Involvement in Public Infrastructure and Service Delivery.

Task	Risk Control Examples
	<ul style="list-style-type: none"> • Monitoring procedures that ensure consistency with Department of Work's <i>State Purchasing Policy</i>. • For asset investments estimated to be in excess of \$5 million, referral of asset investment evaluations performed during each financial year to Treasurer as required by <i>Financial Management Standard 1997</i> (departments only). • Open and competitive procurement processes. • All project risks eg. construction cost risk, contractor-default risk explicitly identified and addressed. • Contracts/contract variations only authorised by persons holding properly delegated authority after diligent review. • Governor-in-Council approval sought where required by Executive Council Minute 56 dated 1 March 2001. • Effective project management processes. • Project plan established with financial and physical targets/milestones. • Monitoring of project performance eg. actual and committed against budget, percentage completion against budget etc. • Maintenance of a record of contracts, including details of contract, progress payment, variations, retention moneys and guarantees. • Processes that effectively manage security deposits, retentions and progress payments. • Post-completion contract reviews.

Task	Risk Control Examples
<p>3. Asset Recognition and Recording.</p> <p>3.1 Ensure assets correctly recognised and recorded having regard to the Queensland Treasury's <i>Non-Current Asset Accounting Guidelines for the Queensland Public Sector</i>.</p>	<ul style="list-style-type: none"> • Procedures that ensure adherence to general purchasing controls, including delivery according to contract conditions, costing accuracy and accounts processing. <p><i>Risk: Property, plant and equipment not recognised or inadequately recorded for physical identification and financial reporting purposes.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures that ensure recognition of assets at time of acquisition in terms of their ability to produce probable future economic benefits that are controlled by the agency and that have a cost or other benefit that can be measured reliably. • If a department, separate records that provide for identification of assets controlled and those administered on a whole-of-Government basis. • Documented non-current physical asset recognition thresholds (maximum \$10,000) taking into account overall value of total class of assets. • Periodic review of expenditure on assets below threshold to identify assets that should have been capitalised. • Development and observance of agency specific policies for distinguishing capital additions/enhancements from repairs and maintenance. • Periodic review of asset records for items that may have been acquired for less than fair value.

Task	Risk Control Examples
	<ul style="list-style-type: none"> • Maintenance of a record of non-current physical assets, including details of date of purchase or commissioning, original cost, description, class, location or cost centre, subsequent enhancements, estimated useful life to agency, revaluation increments, residual value, accumulated depreciation and current 'fair value' valuation (other than for plant and equipment that may be carried at 'cost'). • Maintenance of a record of portable and attractive assets. • Maintenance of a record of leased assets. • Processes that ensure recognition (maximum \$50,000) and effective management of intangible assets, including intellectual property and ICT software. • Where assets are created or added to using agency's own resources, processes that effectively identify and accumulate costs. • Development and observance of agency specific policies for work in progress recognition and commissioning of such assets into service. • Periodic review and follow-up of incomplete work in progress, particularly that not commissioned into service within twelve months of commencement.

Task	Risk Control Examples
<p>4. Asset Revaluations.</p> <p>4.1 Ensure that assets remain valued at their 'fair value' unless carried at cost, in accordance with Queensland Treasury's <i>Non-Current Asset Accounting Guidelines for the Queensland Public Sector</i>.</p>	<p>Risk: <i>Incorrect valuations for management and external reporting purposes.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • For assets measured at 'fair value', comprehensive revaluation by an independent valuer at least once every five years and on an interim basis by annual indexation or other reliable methods. • Revaluation histories for each asset class to ensure revaluation increments reversing previous (expensed) decrements are recorded as revenue. • Evidence of compliance with Australian Accounting Standard AAS 10 <i>Recoverable Amount of Non-Current Assets</i> and AAS 38 <i>Revaluation of Non-Current Assets</i>.
<p>5. Depreciation.</p> <p>5.1 Establish consistent methods of depreciation based on estimated useful life of each asset <i>to the agency</i>, less residual value.</p>	<p>Risks: - <i>Incorrect costing of agency outputs due to incorrect depreciation charges.</i> - <i>Financial information errors.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Calculation of a realistic estimated useful life <i>to the agency</i> of each asset and its residual value with annual review for continued appropriateness.

Task	Risk Control Examples
<p>6. Asset Maintenance.</p> <p>6.1 Ensure agency's physical assets remain productive and appropriate at the lowest long-term cost.</p>	<ul style="list-style-type: none"> • Determination of depreciation method after considering useful life, pattern of asset use and pattern of expected benefits. • Identification of significant components of complex assets and depreciation of those components over their useful lives to the agency. • Compliance with Australian Accounting Standard AAS 4 <i>Depreciation</i>. • For revalued assets, reassessment of residual values upon revaluation. <p>Risks: - <i>Assets not properly maintained.</i> - <i>Maintenance incorrectly expensed.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Evaluation of most cost-effective way of maintaining physical assets taking into account whole-of-life costs. • Periodic assessment of assets that will indicate if disposal is warranted given expected maintenance outlays. • Preparation and observance of a 'Schedule of Maintenance', linked to agency's asset records, for all significant physical assets. • Procedures that effectively manage and physically secure assets under repair.

Task	Risk Control Examples
<p>7. Write-offs.</p> <p>7.1 Ensure that only assets essential to agency needs are held and that only persons holding properly delegated authority approve write-offs.</p>	<p>Risks: - <i>That idle, redundant or obsolete assets are held.</i></p> <p>- <i>Assets written-off without proper authority.</i></p> <p>- <i>Cost of holding obsolete assets.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Periodic identification and development of strategies for management of under-utilised, idle, redundant or obsolete assets. • Application of best value for money principles in asset disposals, including documented thresholds for manner in which assets are to be disposed of eg. competitive tender, other disposal or dumping. • Approvals for sale, retirement or other disposal of assets authorised only by persons holding properly delegated authority and after diligent enquiry. • Procedures that ensure proceeds from assets disposed of, including scrapped or obsolete assets are recognised as revenue. • Accounting records and assets records updated to remove asset and record a profit or loss on disposal. • Incidental disposal costs included in calculation of loss on disposal. • Correct calculation of asset carrying amount at date of disposal, including revaluation increments.

Task	Risk Control Examples
<p>8. Asset Verifications.</p> <p>8.1 Ensure physical existence of assets as identified in agency's assets records.</p>	<p><i>Risk: Lost or stolen assets not promptly detected, reported and written-off.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Suitable identification of assets eg. bar-coding or other secure markings. • Periodic physical verification of assets by officers independent of users within timeframes determined in accordance with risk profile and materiality of assets. • Periodic verification of assets records or users to provide particulars of assets held by them for verification against central assets records. • Audit trail of asset verification results. • Prompt follow-up of discrepancies and irregularities highlighted by physical verification processes, including items not recorded in central assets records. • Where a criminal offence is apparent, referral to Queensland Police Service and to Auditor-General. • Periodic verification of title deeds for land, easements, encumbrances and like with legal documents records. • Periodic comparison of leased/rented assets records with lease/rent payment details.
<p>9. Financial Reporting.</p> <p>9.1 Ensure that agency assets are fairly stated for financial reporting purposes.</p>	<p><i>Risk: Incorrect reporting of asset values in agency's financial reports.</i></p>

Task	Risk Control Examples
<p>10. Physical Security.</p> <p>10.1 Safeguard agency property, plant and equipment from loss, damage and other risks.</p>	<p>Control Examples</p> <ul style="list-style-type: none"> • Accounts presentation by classes of assets on a gross basis, less depreciation. • Reconciliation of central assets records with general ledger controls, taking into account write-offs and asset revaluations and decrements. • Transfers to and from Asset Revaluation Reserve in compliance with appropriate Australian Accounting Standards and delegated authorisations. <p><i>Risk: Assets not securely held.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Assets securely held and restricted access outside of normal working hours. • Use of security services, where cost-effective. • Code of Conduct to provide for prohibition of private use of assets, particularly portable and attractive items. • Insurance cover on assets, where cost-effective and in accordance with Financial Management Standard requirements. • Consideration of workplace health and safety and environmental issues.

H

LIABILITY MANAGEMENT

This function relates to the effective management of agency liabilities, including creditors, accruals, loan indebtedness and contingent liabilities. The management of suspense items is also referenced.

Task	Risk Control Examples
<p>1. Strategic Considerations.</p> <p>1.1 Ensure that all options are properly assessed before incurring material liabilities.</p>	<p>Risk: <i>Funding not obtained on cost-effective basis.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Documentation of borrow, hire, lease decisions, where material. • Accurate forward estimating of liabilities for planning and cash flow management purposes. • Liabilities authorised in accordance with agency delegations.
<p>2. Liability Recognition.</p> <p>2.1 Ensure that agency liabilities are recorded accurately, completely, in name of agency and for period to which they relate.</p>	<p>Risk: <i>Liabilities not correctly stated in financial reports.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures and systems that ensure prompt recognition and recording of all agency liabilities at time they are incurred, including contingent liabilities. • Procedures that reliably measure liabilities, including all material creditors, accruals, employee entitlements, loan indebtedness, repayable advances and revenues received in advance of goods or services provided. • Procedures that ensure creditors classified as either current or long term.

Task	Risk Control Examples
<p>3. Trade Creditors and Accruals.</p> <p>3.1 Ensure proper identification of creditors and accrued expenses.</p>	<ul style="list-style-type: none"> • Procedures that record liabilities in agency's name and their discharge on correct due date. • Maintenance of a record of contracts, including contract value, discounted value, interest and periodic outstanding balances and reconciliation with general ledger. <p><i>Risk: Creditors not accurately identified.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Matching of orders with materials/services received but not paid for to establish creditor values at reporting date. • Review of completeness and accuracy of creditor documentation. • Agreement of general ledger control total with itemised listing of creditors. • Thresholds for recognition of creditors and accruals for reporting purposes. • Consistency of accruals identification, methodology and calculation. • Periodic confirmation of creditor details, where non-current.
<p>4. Provisions.</p> <p>4.1 Ensure that provisions are measured reliably and taken into account for financial reporting purposes.</p>	<p><i>Risk: Provisions not correctly recorded for financial reporting purposes.</i></p> <p>Control Examples</p>

Task	Risk Control Examples
<p>5. Long Term Liabilities.</p> <p>5.1 Ensure that long term liabilities are properly authorised, identified and valued.</p>	<ul style="list-style-type: none"> • Recognition between provisions that meet the definition of a ‘liability’ in terms of SAC 4 eg. provision for employee entitlements and provisions that are treated as a decrement of an asset value eg. provision for doubtful debts. • Calculation of employee entitlements in accordance with Australian Accounting Standard AAS 30 - <i>Accounting for Employee Entitlements</i>. <p>Risk: <i>Incorrect valuation of long-term liabilities for financial reporting purposes.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Borrowings approved by the Treasurer in accordance with Financial Management Standard requirements and following ‘need for’ appraisals. • Maintenance of a record of loans indebtedness, including details of loans, interest and redemption payments and dates payable. • Periodic agreement of loans records with general ledger control and lenders’ confirmations. • Interest and redemption payments made only in accordance with loans records details. • Processes that effectively manage reporting obligations to lenders, if applicable. • Processes that correctly calculate market valuation of loans for financial reporting purposes.

Task	Risk Control Examples
<p>6. Contingent Liabilities.</p> <p>6.1 Ensure accurate identification, recording and ongoing management of contingencies and disclosure for reporting purposes.</p>	<ul style="list-style-type: none"> • Regular confirmation of sinking fund balances, where applicable. • Lease decisions made in accordance with <i>Leasing in the Queensland Public Sector - Policy Guidelines</i>. <p><i>Risk: Contingent liabilities poorly managed and reported.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures that provide for prompt identification, recording and management of: <ul style="list-style-type: none"> - known liabilities where the quantum of the debt cannot be reasonably determined; or - amount can be determined but whether or not a liability exists, cannot. • Ongoing monitoring of contingencies and appropriate disclosure in agency financial reports.
<p>7. Commitments.</p> <p>7.1 Ensure the accurate identification, recording and management of commitments and disclosure for reporting purposes.</p>	<p><i>Risk: Capital commitments poorly managed and reported.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures that provide for recognition and recording of each material commitment.

Task	Risk Control Examples
<p>8. Suspense Accounts.</p> <p>8.1 Ensure the regular identification of items comprising suspense account control totals and follow-up of items not cleared within 30 days of initial recording.</p>	<ul style="list-style-type: none"> • Ongoing monitoring and appropriate disclosure for financial reporting purposes. <p><i>Risk: Uncleared items held for excessive periods/identity lost potentially resulting in a material mis-statement of other accounts.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Systems that provide for regular identification of individual suspense items and reconciliation with control totals. • Regular report and follow-up of amounts held in suspense for periods in excess of 30 days from date of initial recording. • Documented clearance recommendations and actions eg. payment to Treasurer's Unclaimed Moneys Fund.

I

CLIENT AWARENESS AND SERVICE PROVISION

This function deals with ensuring that agency clients, including the wider community, are aware of the services and products that the agency provides and that those services and products meet their needs and expectations.

Task	Risk Control Examples
<p>1. Identification of Client Needs.</p> <p>1.1 Identify existing and potential clients and develop public awareness and promotional strategies that ensure clients are aware of the services and products provided by the agency.</p> <p>1.2 Assess client and community expectations about agency services and products.</p>	<p>Risks: - <i>Inadequate, inaccurate or untimely information regarding agency products and services and actual or potential clients.</i></p> <p>- <i>Clients unable to take advantage of agency services.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Environmental scans and market research. • Maintenance of an effective client database and regular update of such records. • Regular distribution of information to key client groups. • Periodic evaluations of effectiveness of service awareness and client satisfaction. <p>Risk: <i>Inaccurate information regarding agency services and products.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Environmental scans and market research, including availability and pricing strategies of alternative suppliers.

Task	<i>Risk</i> Control Examples
<p>1.3 Provide consistent message to clients regarding agency strategic and operational objectives.</p>	<ul style="list-style-type: none"> • Active agency involvement in community, industry, trade and professional activities and associations. • Consideration of client needs and expectations in strategic and operational planning processes. <p><i>Risks:</i> - <i>Non-alignment with strategic and operational plans and whole-of-Government objectives.</i> - <i>Client misinformation.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Guidelines to personnel authorised to issue statements on behalf of agency. • Participation in industry and community seminars and public interest groups at which agency views are expressed and fed back into planning processes. • Training of agency personnel to ensure awareness about agency's strategic and operational objectives.
<p>2. Delivery of Agency Services and Products.</p> <p>2.1 Maintain capacity to deliver agency services and products efficiently, effectively and economically.</p>	<p><i>Risk: Poor service quality.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Communication of information to clients regarding agency services and products and availability of those services and products. • Service awareness training for agency personnel and procedures that facilitate prompt handling of client concerns.

Task	<i>Risk</i> Control Examples
<p>2.2 Effectively manage positive relationships with agency clients and information about its services and products, including data that assists in the continuous improvement of those services and products.</p>	<ul style="list-style-type: none"> • Maintenance of an effective client database and periodic update to ensure continued currency and relevance. • Monitoring of agency services and products in qualitative and quantitative terms. • Benchmarking with best practices in like agencies and jurisdictions and the private sector. • Ongoing monitoring and evaluation of the effectiveness of agency's service awareness campaigns. <p><i>Risk: Outputs not aligned to client needs.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Procedures to incorporate client suggestions for enhancing agency services and products, eg. periodic surveys. • Compliance with Queensland Treasury's <i>Client Service Standards Policy and Guidelines</i>. • Maintenance of an effective and efficient complaints/feedback mechanism. • Appropriate training of agency personnel in respect of Freedom of Information and Whistleblower's legislation.

J

INFORMATION COMMUNICATION AND TECHNOLOGY

The information communications and technology (ICT) resources function relates to the design, implementation and maintenance of an effective ICT resource system, including strategic planning, consistency with the mandatory principles of the *Information Standards* issued by the Department of Innovation and Information Economy, Sport and Recreation Queensland and the promotion of E-Commerce in Queensland.

Information communications and technology resources provide the capability for agencies to achieve their objectives. The internal controls required should ensure that the technology is meeting the needs of the agency and that the objective of the task is carried out. Controls are designed, implemented and maintained to provide assurance to management that the organisation's objectives will be achieved and risks either prevented or detected and corrected.

Task	Risk Control Examples
<p>1. Strategic Considerations.</p> <p>1.1 Ensure effective use of ICT resources to achieve strategic goals and operational objectives of the agency.</p>	<p><i>Risk: Insufficient consideration of ICT in development of strategic and operational plans of agency.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • An ICT strategic plan that optimises agency's investment in, and use of, innovative information communications and technology. • Strategic ICT plan provides details about: <ul style="list-style-type: none"> - Goals of plan and how those goals assist in delivering agency services and outputs and contribute to the Government's social and fiscal objectives; - Consistency with mandatory principles of Department of Innovation and Information Economy, Sport and Recreation <i>Information Standards</i>;

Task	Risk Control Examples
<p>2. Systems Development.</p> <p>2.1 Develop and implement ICT systems that are innovative, cost-effective and appropriate to agency's requirements.</p>	<ul style="list-style-type: none"> - To extent that plan is inconsistent with the mandatory principles of the <i>Information Standards</i>, a risk assessment of such inconsistency; - How agency plans to implement actions to promote E-Commerce in Queensland; - An evaluation of agency ICT resource needs, including any additional ICT resources and how such needs will be funded; - An evaluation of effect on agency operations of relevant external factors, including changes to the agency's business environment. <ul style="list-style-type: none"> • Evidence of coordination of ICT strategic plan with corporate and physical asset strategic plans. • Evidence of user involvement in development of ICT strategic plan. • Evidence that ICT strategic plan is effectively translated into operational plans, including clear short-term goals. • An effective ICT Steering Committee. <p>Risk: <i>ICT systems not designed according to agency and user needs or not implemented properly.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Use of an ICT system development life cycle, including: <ul style="list-style-type: none"> - Evidence of user/agency need for ICT upgrades or replacements;

Task	Risk Control Examples
<p>2.2 Ensure that ICT system modifications are formally authorised and operate as planned.</p>	<ul style="list-style-type: none"> - Feasibility analyses/studies; - Effective systems design and specification, including determination of an implementation timeframe; - Program development based on <i>user and agency</i> needs; - Testing and conversion processes; - System acceptance and user/agency approval. <ul style="list-style-type: none"> • Use of project management principles in ICT systems development. • Involvement of users and audit in review and approval processes so that ICT systems meet user/agency business needs and <i>Information Standards</i> requirements. • Personnel training following systems implementation. • Contingency plans for knowledge support when new ICT systems are operationalised. <p>Risk: <i>ICT system/program modifications not correctly implemented.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Formal ICT system and program variation processes, including variation requests and approvals. • Procedures that ensure all changes, including those initiated by data processing personnel are subjected to rigorous integrity testing.

Task	Risk Control Examples
<p>3. ICT System Availability.</p> <p>3.1 Ensure ICT resources and systems are available to users according to <i>their</i> requirements.</p>	<ul style="list-style-type: none"> • Test results reviewed and approved by data processing personnel and users, following testing. • Review and agreement of ICT system design changes by users. • Notifications of ICT system/program changes to users • Incorporation of changes in relevant ICT user manuals/Financial Management Practice Manual. <p><i>Risk: Systems downtime and user dissatisfaction.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Effective and efficient ICT management and appropriate support systems. • External providers have adequate resources, skills and communications to service agency needs. • Develop and maintain service level agreements between users and technical support within agency. • ICT operational controls that focus on ensuring systems availability at key locations. • Adherence to a job production schedule. • Adequate establishment and execution procedures over: <ul style="list-style-type: none"> - Creation of batch jobs, including use of batch headers, pre-listing backup tapes and similar;

Task	Risk Control Examples
<p>4. ICT Resource Access.</p> <p>4.1 Ensure ICT resource access is restricted to authorised personnel only.</p>	<ul style="list-style-type: none"> - Loading on-line application systems and systems software. • Use of checklists, control totals and parameters in processing that accord with approved protocols and procedures. • Documented approvals, including user approvals, where appropriate, for departures from authorised protocols and procedures. • Processes for identifying, reporting and approving operator actions including: <ul style="list-style-type: none"> - Loading system and application software; - System failure, restart and data recovery in emergency situations. • Preparation and adherence to appropriate service level agreements. <p>Risks: - <i>Data files subjected to unauthorised access.</i> - <i>Incorrect or fraudulent data changes.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Formal documented policy on ICT resource security. • Established standards, procedures and guidelines that are consistent with Information Standards and that translate agency's security policies into compliance criteria, such standards and procedures addressing: <ul style="list-style-type: none"> - Information classification scheme for data storage;

Task	Risk Control Examples
<p>4.2 Ensure systems are modified only in accordance with properly delegated authorisations.</p>	<ul style="list-style-type: none"> - Security categories and levels; - Data in each information file and personnel authorised to use it; - Control and data protection requirements, including ‘virus’, ‘hacker’ and ‘cracker’ protection eg. firewall and encryption control measures; - The types or classes of sensitive ICT resources, potential risks and protection requirements: - The duties and responsibilities of security administration, operators and system users, with respect to access to, and use of ICT resources; - Procedures that establish and approve user access, including restrictions to sensitive applications; - Security monitoring, including reviews for unauthorised system or file access; - Non-compliance follow-up. <ul style="list-style-type: none"> • Independent monitoring of changes/transactions made by ICT System Administrator. <p>Risk: <i>Programs subjected to unauthorised modification.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Development of security risk profiles. • Maintenance of physical security over ICT hardware, software and data.

Task	Risk Control Examples
<p>5. Data Recovery.</p> <p>5.1 Ensure appropriate business continuity arrangements exist to protect corporate information and ICT resources.</p>	<ul style="list-style-type: none"> • Use of access controls that enhance protection of ICT systems, programs, information and resources. • Use of ICT software change controls that ensure implementation, maintenance and protection of ICT systems, information and resources from unauthorised changes. <p><i>Risk: Inadequate business continuity planning resulting in adverse impact on agency's ability to deliver its outputs.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Development and periodic review of an effective ICT business recovery plan, including a risk analysis and commitment by senior management. • Impact assessments of new or modified systems and processes on business recovery plan. • To extent practicable, identification of alternative processing facilities. • Regular testing of business recovery procedures.
<p>6. Best Practice Use of ICT Resources.</p> <p>6.1 Ensure that appropriate and innovative ICT is used based on contemporary 'best practice' and user/agency needs.</p>	<p><i>Risk: Users unable to make most effective use of available ICT resources.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Adequate, timely and focussed training of relevant employees as to the latest trends in, and use of, best practice ICT resources.

Task	Risk Control Examples
<p>6.2 Develop new ICT systems that will best meet the service deliverables and operational objectives of the agency and which accord with the mandatory principles of the <i>Information Standards</i>.</p>	<p>Risk: <i>Future service delivery objectives not effectively linked to ICT development and Information Standards.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Clear communication of user/agency needs to ICT personnel. • Identification of user needs eg. appropriate survey activities. • Training programs that ensure that ICT providers and users remain qualified to fulfil their ICT responsibilities. • Consistency with mandatory principles of the <i>Information Standards</i>.
<p>6.3 Maintain high level of knowledge regarding current ICT development that may be potentially useful to users/agency.</p>	<p>Risk: <i>Lack of access to current ICT developments and 'best practices'.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Monitoring of relevant technical data and literature. • Ongoing professional development activities for ICT personnel and users. • Communication of ICT issues and initiatives to users.
<p>6.4 Commitment of resources to projects most likely to facilitate the efficient and cost-effective delivery of agency outputs.</p>	<p>Risk: <i>ICT development strategies do not support agency's strategic goals and operational objectives.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Appropriate review and approval of ICT projects, resource requirements and initiatives.

Task	Risk Control Examples
	<ul style="list-style-type: none"><li data-bbox="810 331 1385 434">• Clear and concise communication from management regarding its ICT policies and priorities.<li data-bbox="810 472 1385 611">• Ongoing monitoring of ICT projects that ensure that they remain consistent with user/agency needs and Information Standards.<li data-bbox="810 649 1385 752">• Evaluation mechanisms that ensure that ICT outputs continue to meet user requirements and expectations.

K

FINANCIAL REPORTING

The financial reporting function is responsible for the design and implementation of systems that effectively and efficiently generate information for internal and external reporting purposes.

Task	<i>Risk</i> Control Examples
<p>1. Internal Reporting.</p> <p>1.1 Provide timely, relevant and reliable accrual based financial information that facilitates decision-making by management and the discharge of the duties and responsibilities of accountable officer or statutory body.</p>	<p><i>Risk: Information needs not clearly communicated or systems that are incapable of providing relevant and reliable information on a timely basis.</i></p> <p>Control Examples</p> <ul style="list-style-type: none">• Procedures that identify user requirements for qualitative and quantitative information and a process for regular update and communication of such needs to preparers of financial management reports.• Determining and monitoring due dates, priorities and reporting deadlines.• Identification of information that systems do not generate and that must be manually calculated and input if system modifications are not possible.

Task	Risk Control Examples
<p>2. External Reporting.</p> <p>2.1 Prepare external financial reports, within the timeframe prescribed by the <i>Financial Administration and Audit Act 1977</i> and that comply with:</p> <ul style="list-style-type: none"> - Relevant Australian Accounting Concepts, Standards, Urgent Issues Group Abstracts and other authoritative pronouncements; - Treasurer's 'Minimum Reporting Requirements for the Preparation of Departmental Financial Statements' (Departments only). 	<p>Risks: - <i>Information systems not able to provide timely, relevant and reliable financial and other management information.</i></p> <p>- <i>Agency personnel not qualified or experienced to prepare financial reports of a professional standard.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Appointment of a steering committee (usually a sub-committee of the Finance/Audit Committees) to oversee preparation of annual financial statements. • Assignment of experienced, qualified personnel to prepare financial statements and documented instructions as to individual and team responsibilities. • Preparation of an annual work plan identifying potential problem areas, key stakeholders, milestones and due dates for collation of information and explanations, financial and non-financial. • Agreement with internal and external audit on work plan and key delivery dates and ongoing liaison with those functions. • Regular consultation with steering committee. • Issues that have stakeholder or audit implications identified and addressed promptly. • Communication of latest professional updates/other prescribed requirements to relevant personnel and incorporation in agency's Financial Management Practice Manual.

Task	<i>Risk</i> Control Examples
	<ul style="list-style-type: none"> • Documented policy in Financial Management Practice Manual, including depreciation methods, cut-off dates, financial policies eg. asset recognition thresholds, revenue recognition, controlled and administered transactions, etc. • Procedures and systems that facilitate identification of consolidation issues, agency and whole-of-Government. • Preparation of 'trial' financial statements two or three months prior to balance date to identify problem areas and reliability of financial data. • Prompt advice of cut-off dates and materiality thresholds for items such as creditors, accruals and prepaid expenses where such information is not system generated. • High standards of documentation of financial statement working papers and evidence of review by senior accounting officer, internal audit and Audit and Finance Committees, where established. • Ongoing systems review to ensure continued generation of timely, accurate and reliable information. • Timetable for financial reporting circulated to relevant staff. • Benchmarking against other best practice financial reports. • Security of financial information prior to certification by the accountable officer or statutory body. • Certification of financial statements within required legislative timeframes.

Task	<i>Risk</i> Control Examples
	<ul style="list-style-type: none"><li data-bbox="810 331 1385 436">• Incorporation of certified financial statements <i>without alteration</i>, into agency's annual report .

Task	Risk Control Example
<p data-bbox="204 996 783 1066">3. Audit Planning, Performance and Reporting.</p> <p data-bbox="204 1099 783 1238">3.1 Ensure that audits are adequately planned, performed and supervised and that audit reports are of a high professional standard.</p>	<p data-bbox="810 360 1054 394">Control Examples</p> <ul data-bbox="810 434 1385 927" style="list-style-type: none"> • Documented policy as to required skills, competencies, experience and qualifications of internal audit personnel. • Monitoring in terms of foregoing. • Ongoing professional development and training. • A policy that permits rotation of internal audit personnel into other management positions to gain broader knowledge and experience, where size of function and agency warrants. <p data-bbox="810 1099 1385 1205">Risk: <i>Non-identification of issues that should be brought to the attention of accountable officer or statutory body.</i></p> <p data-bbox="810 1279 1054 1312">Control Examples</p> <ul data-bbox="810 1352 1385 1798" style="list-style-type: none"> • Strategic and annual audit plans that evidence appropriate consultation with accountable officer or statutory body and with audit committee and external audit. • Target audit cycles, with appropriate balance between financial and operational issues, having regard to materiality, risk and other assessments (SWOT analyses). • Evidence of input into process of specifying, developing and testing new or revised ICT systems.

Task	Risk Control Example
<p>4. Audit Committee.</p> <p>4.1 Ensure the effective and efficient operation of audit committee, where the size and complexity of the agency warrants this function.</p>	<ul style="list-style-type: none"> • Activity reports, summarising major audit findings, action taken and action outstanding, provided to accountable officer or statutory body on a regular basis • Adequate documentation of audit tasks performed and evidence of quality control. • Evidence of appropriate consultation with line management in respect of audit findings and recommendations. • Evidence of liaison with external audit in relation to the scope of respective audit activities. • Evidence of commitment to, and implementation of, audit findings and recommendations to ensure timely and positive resolution. <p>Risk: <i>Failure to proactively support accountable officer or statutory body in the discharge of legislative and other responsibilities.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Appointment of suitably qualified and experienced members of audit committee, including, where considered desirable by the accountable officer/statutory body, persons external to the agency. • Formal Audit Committee Charter, including details about function role and duties of committee.

Task	Risk Control Example
	<ul style="list-style-type: none"><li data-bbox="810 331 1385 510">• Evidence of input by audit committee members in development of internal audit plans and proactive involvement in resolution of internal and external audit findings and recommendations.<li data-bbox="810 546 1385 651">• Inclusion of details about activities of audit committee in agency's annual report.<li data-bbox="810 712 1385 817">• Consistency with Queensland Treasury's <i>Audit Committee Guidelines – Improving Accountability and Performance</i>.<li data-bbox="810 855 1385 960">• If an audit committee is not established, evidence of regular reassessment of need for such a function.

M

PERFORMANCE MANAGEMENT AND REVIEW

This function deals with ensuring that the agency has effective performance management systems, maintains its performance measures at levels appropriate to its operational environment and proactively monitors its performance against those measures.

Task	Risk Control Examples
<p>1. Financial Performance.</p> <p>1.1 Ensure agency has adequate systems to monitor its financial performance, including:</p> <ul style="list-style-type: none"> - Maximising its revenue base; - Operating within its budget and achieving optimal value for money in expenditures incurred; - Maximising use of, and benefits from its cash, physical and other resources; - Minimising liabilities; and - Monitoring transactions that may have a material impact on the agency, including contingencies. 	<p>Risk: <i>That agency is not achieving effectiveness, efficiency and economy in its financial activities.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Trend analyses of revenue and expense streams to determine if financial performance is improving, worsening or stable. • Comparisons with budgeted forecasts. • Follow-up of material variances, including evidence of any required remedial action. • Benchmarking with similar agencies and jurisdictions. • Comparisons with ‘rule of thumb’ and industry standards. • To extent relevant to agency operations, use of financial ratios, including: <ul style="list-style-type: none"> - Inventory turnover; - Debtors turnover ; - Creditors; - Non-current asset;

Task	Risk Control Examples
<p>2. Operating Performance.</p> <p>2.1 Ensure that agency has adequate systems to monitor its operational performance, including:</p> <ul style="list-style-type: none"> - processes to ensure ongoing alignment of its services and outputs with the Government' social and fiscal objectives; - achievement of its goals and delivery of its operational objectives efficiently, effectively and economically; - allocation of its resources so as to achieve optimal value for money; and 	<ul style="list-style-type: none"> - Return on assets; - Debt to equity; - Other ratios as indicated in Australian Auditing Standard AUS 512 – <i>Analytical Procedures</i>. • In accordance with section 63 of Financial Management Standard, at least quarterly reports on agency financial performance to accountable officer/ statutory body and to Minister within timeframes determined by Minister. • Timely recommendations and remedial actions in respect of unsatisfactory financial performance, including for departments, appropriate consultation with Queensland Treasury. <p>Risk: <i>That agency is not achieving effectiveness and efficiency in its operational performance.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Regular reviews of agency's strategic goals and operational objectives to ensure harmonisation with whole-of-Government objectives set out in the <i>Charter of Social and Fiscal Responsibility</i>.

Task	Risk Control Examples
<p>- delivery of its outputs at the standards and within the performance measures stated in its strategic and operational plans.</p> <p>3. Agency Goals, Strategies and Performance Measures.</p> <p>3.1 Ensure continued appropriateness of agency's goals, the strategies to achieve such goals and suitability of its performance measures and targets.</p>	<ul style="list-style-type: none"> • Performance measures and targets consistent with agency's strategic goals and operational objectives, taking into account criteria of quality, quantity, timeliness, cost and where appropriate, location. • At least quarterly reports on agency operational performance to accountable officer or statutory body and to Minister within timeframe determined by the Minister. • Timely recommendations and remedial actions in respect of unsatisfactory operational performance, including for departments, appropriate consultation with Queensland Treasury. • Periodic reviews of alternative service delivery options. <p>Risk: <i>That agency goals, strategies and performance indicators lose relevance to agency's core outputs and activities.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Ongoing evaluation of appropriateness of agency goals and the strategies for achievement of such goals. • Regular evaluations addressing options available to agency to improve efficiency, effectiveness and economy.

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GOVERNANCE AND ETHICS

This function ensures that ethical values including the core concepts of due care, diligence and public defensibility are established, understood and practised throughout the agency.

Task	Risk Control Example
<p>1. Strategic Consideration</p> <p>1.1 Ensure that senior management provides positive and effective leadership that is responsive to the needs of the Minister, Executive Government, agency clients and employees.</p>	<p>Risk: <i>Failure to deliver agency outputs efficiently, effectively and economically due to poor leadership or insufficient appreciation of client requirements.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • High standards of corporate governance as documented in Queensland Treasury's <i>Corporate Governance and Risk Management Guidelines</i>. • Evidence of a flexible and participative management style where teamwork and professionalism are encouraged and expected. • A high standard of employee morale and loyalty to agency, as measured eg. low staff turnover and sick leave incidences. • An agency culture that supports promotion on merit and that discourages favouritism and cronyism. • Staff movements and agency reorganisations publicly defensible and rationally documented. • Clear, effective and properly documented lines of authority and responsibility authorised by accountable officer or statutory body. • An agency specific Code of Conduct.

Task	Risk Control Example
<p>2. Ethical Conduct.</p> <p>2.1 Ensure that high standards of ethical conduct are observed by all agency personnel.</p>	<ul style="list-style-type: none"> • Regular risk assessments of operations, functions and activities of agency and evidence of any required corrective action, including in respect of agency's 'corporate health'. • A strong internal control structure, including prompt implementation of any corrective action resulting from regular systems appraisals. • High standards of annual reporting, including financial reporting, in terms of relevant legislative requirements, Australian Accounting Standards and other authoritative pronouncements. • Strong and proactive internal audit and Audit/Risk Management Committee functions, appropriate to size and complexity of agency operations. • A commitment by all agency personnel, particularly its senior management, to ongoing professional development in order to 'add value' to agency's operations and output delivery. • Free and frank information and communication flows, upwards, downwards and outwards. <p>Risk: <i>Conflict of interest between individual interests and official duties and responsibilities.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Observance by all employees of key ethical principles and obligations, including:

Task	Risk Control Example
<p>3. Fiduciary Integrity.</p> <p>3.1 Ensure that all agency personnel observe fiduciary integrity in the conduct of their official duties.</p>	<ul style="list-style-type: none"> - Respect for, and compliance with, the law and systems of Government; - Observance of all lawful directions; - Respect for agency clients and other agency personnel; - High standards of personal conduct, integrity and probity; - Avoidance of bullying, intimidation, sexism and other inappropriate behaviour; - Recognition of need for confidentiality of information that may be obtained in course of a person's official duties, other than in authorised circumstances; - Observance of efficiency, effectiveness and economy at all times in discharge of official duties and responsibilities; - Avoidance of waste, extravagance and mismanagement of agency resources. <p>Risk: <i>Failure to observe ethical principles of the Public Sector Ethics Act 1994.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • An agency culture, embodied in its Code of Conduct, requiring that all agency personnel to: <ul style="list-style-type: none"> - Act in good faith, honesty and in a manner that is, and is seen to be, in best interests of agency and its stakeholders;

Task	Risk Control Example
	<ul style="list-style-type: none"> - Exercise authority only for proper purposes and purpose for which personal duties are legitimately conferred; - Avoid conflicts of interest or potential conflicts of interest; - Act with independence and not be influenced by a person or persons unconnected with agency; - Not improperly use information acquired because of a person's official position so as to gain, directly or indirectly, self-advantage or advantage for another person. - Not accept a gift, including hospitality, travel or entertainment or a loan, guarantee or other personal emoluments or benefits, other than in terms of <i>Financial Management Standard 1997</i>. • Support by senior management for high standards of ethical behaviour through: <ul style="list-style-type: none"> - Leading by example; - Support of a Code of Conduct appropriate to agency needs; - Measures that ensure ready access to Code of Conduct by all agency personnel; - Provision of training on contents and philosophy of Code of Conduct; - Monitoring and review of compliance with agency Code of Conduct; - Revision of Code of Conduct to ensure continued relevance to agency needs.

Task	Risk Control Example
<p>4. Due Care, Diligence and Public Defensibility.</p> <p>4.1 Ensure that all agency personnel exercise due care and diligence in the exercise of their official duties and that such actions are, and are seen to be, publicly defensible.</p>	<p>Risk: <i>Failure to properly fulfil the legislative and other responsibilities of agency.</i></p> <p>Control Examples</p> <ul style="list-style-type: none"> • Appointment of personnel with skills, knowledge and experience necessary to manage agency's affairs diligently, competently and effectively. • Evidence that agency personnel, at all levels, have taken reasonable steps to ensure integrity and reliability of information and other data used for planning, decision-making and output delivery purposes. • Where duties and responsibilities are delegated to other personnel and such delegations involve risk, evidence of monitoring action that ensures directions given are carried out according to instruction. • Where agency actions have a significant community impact or other sensitivity, evidence of consultation with Minister. • An awareness program for all agency personnel in respect of: <ul style="list-style-type: none"> - Potential personal liability because of negligence, defamation or slander; - Provisions of <i>Whistleblowers Protection Act 1994</i>; - Provisions of <i>Freedom of Information Act 1992</i>. • Protocols for use of agency assets.

O INTERNAL CONTROL IMPROVEMENT PLANNER

INTERNAL CONTROL	CONTROL EFFECTIVENESS		PROPOSED CONTROL IMPROVEMENTS	ACTION PLAN	IMPLEMENTATION Yes/No
	RISK RATING	MITIGATING FACTORS			

Refer notes for using this worksheet

INTERNAL CONTROL IMPROVEMENT PROCESS

For each task identified:

1. Establish effectiveness of existing internal controls.

a) Rate the likelihood and consequences of the failure of the controls –

- Likelihood

1	low
2	possible
3	high

= A

- Consequences

1	low	- minor loss in dollar or qualitative terms
2	moderate	- some loss
3	high	- material loss

= B

- Multiply "A" by "B" to determine an overall rating.

=

- 1-2 Low - existing processes should suffice
- 3-6 Medium - control may need improvement
- 6-9 High - review of control necessary.

b) Evaluate and document any compensating factors that may mitigate risks –

(Take into account cost-effectiveness and availability of alternative controls)

2. Proposed Control Improvements.

3. Action Plan.

(Who does what by when)

4. Control Implementations.

This should include appropriate update of agency's Financial Management Practice manual/other procedural manuals.