



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

Invitation to Comment

**TOPIC PAPER 4 –
STATEMENT OF ASSURANCE**

Prepared by Queensland Treasury
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Introduction

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

This Topic Paper focuses on the proposed new requirement for an annual statement of assurance to be provided by the chief finance officer to the accountable officer.

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

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

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

Enquiries about the Topic Papers should be addressed to either:

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Issues

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

It is proposed that the Financial Accountability Bill will mandate, for departments only, that prior to the certification of the annual financial statements each year, the chief finance officer must provide the accountable officer with a statement of assurance. The purpose of this statement is to provide assurance that the financial internal controls were operating efficiently, effectively, economically and as intended throughout the year.

In line with a principles-based approach, the legislation will not prescribe the process to be used by the chief finance officer in assessing the internal

controls and obtaining the assurance. Nor will the legislation specify the wording of the statement of assurance.

The legislation will however provide that, as a minimum, the statement of assurance must provide assurance to the accountable officer that:

- the financial records of the agency have been properly maintained throughout the period in accordance with prescribed requirements
- the risk management and internal compliance and controls systems of the agency relating to financial management have been operating efficiently and effectively throughout the period, in all material respects
- subsequent to balance date, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the agency (or if there have been issues arising, these matters are outlined for the accountable officer) and
- assurances have been received from relevant external service providers over the controls in the external service provider's systems throughout the period.

The accountable officer could request assurance from the chief finance officer over areas in addition to those outlined above.

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

For additional information about the statement of assurance process, refer to Discussion Paper 4 *Governance* on the legislation review webpage:

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

Proposals

To assist departments with implementing the new requirements with respect to the statement of assurance, it is proposed that the Guidelines:

- provide additional explanation regarding each of the minimum assurance areas
- provide information regarding processes that the chief finance officer could consider implementing to gain necessary assurance over the finance function
- consider issues relating to obtaining assurance in decentralised or service provider environments
- provide sample statements of assurance that departments could adopt
- consider the role of internal and external audit in the statement of assurance process
- provide information regarding publication of the statement of assurance

- provide information about dealing with deficiencies noted during the assessment process.

Invitation to Comment Questions

1. Do you consider that the proposed guidance regarding the new statement of assurance will be useful to you and your agency?
2. What other information would you like included in the Guidelines regarding the statement of assurance?
3. Are there any other areas which you consider an accountable officer may request assurance from the chief finance officer? If so, please provide details.
4. Please provide other comments, if any, on the issues outlined in this topic paper.