



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

## **Topic Paper 1**

### **“Proposed Format of New Guidelines”**

#### **Summary of Feedback**

Prepared by Queensland Treasury  
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In September 2008 Treasury commenced reviewing the document “Cost-effective Internal Control Guidelines – Underpinning Agency Performance” (current guidelines). As part of the review, 5 topic papers were released for comment on the Treasury website.

The purpose of this document is to acknowledge and summarise the feedback from stakeholders on “Topic Paper 1 – Proposed Format of New Guidelines”. Therefore, this paper is to be read in conjunction with Topic Paper 1, available on Treasury’s website.

Topic Paper 1 identified issues with the current guidelines and put forward three proposals that would address these issues:

1. A proposed name change to the “Financial Management Manual”.
2. A change to electronic access using the format of brief information sheets that form stand alone documents.
3. The use of consideration points in the information sheets instead of detailed prescription points as in the table format of the current guidelines.

The feedback has been summarised for the purposes of this document and the names of all individuals and agencies providing the feedback have been removed for confidentiality reasons.

### **Name Change**

In general there was strong support to change the name of the document from the “Cost Effective Internal Control Guidelines – Underpinning Agency Performance”. However, a number of agencies raised some issues with the proposed name of “Financial Management Manual”, such as:

- the name is too close to an agency’s financial management practice manual
- the name has been used before and some agencies may still have a copy of the old Financial Management Manual which could cause confusion
- the term “manual” infers a step by step process, rather than the proposed information sheets with consideration points.

To address these issues, it is now proposed that the document be called the “Financial Accountability Handbook”. The benefits of using this name are that:

- the name aligns the document with the Financial Accountability Bill 2008 which has been introduced into Parliament
- “Handbook” infers that the document is a source of reference to assist agencies in applying the Act once it is passed.

### **Electronic Information Sheets**

In general, there was unanimous support for changing to the use of volumes and information sheet formats.

Many respondents provided detailed points on how the information sheets could be written effectively (for example, using flow charts and short succinct sentences) and the type of information that should be included (for example, maintaining a link between the consideration points and risks). Respondents also raised points on

effective electronic searching and linking of information. In addition it was suggested that the option to print the complete documents at one time as a single document be provided and that the information sheets be available in both Word and PDF format.

The concerns of respondents with regards to ease of searching; updating information; providing a bulk download/print facility and word format as well as PDF are being investigated for application to the information sheets.

### **Consideration Points**

Although the majority of respondents supported moving towards using consideration points, some preferred the current guidelines and were concerned that the level of content and detail would be reduced in the proposed format.

While the level of detail may be reduced on some issues, high level guidance on the design of systems will remain.

It is also expected that the Financial Accountability Handbook will cover a broader range of issues than what is contained in the current guidelines.

### **Miscellaneous Issues**

A number of respondents provided input on the format, style and general context that the information sheets cover. These issues will be referred to during the preparation of the information sheets and incorporated where relevant to particular topics.

A detailed summary of the points raised in the responses are set out in the “Summarised Feedback” section following.

### **Treasury Response**

The project team appreciates all feedback received as part of the internal control guidelines review and incorporates the comments/suggestions where considered appropriate.

## Summarised Feedback – Topic Paper 1

This document provides in summarised form the responses of stakeholders to the questions asked in Topic Paper 1 “Proposed Format of New Guidelines”.

All references to an individual or stakeholder have been removed to maintain the privacy and confidentiality of individuals and entities submitting the responses.

### Question 1

*Do you support the proposed format of a user manual containing volumes and information sheets? If not, please provide reasons?*

Stakeholder	Summarised Comments
1	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The proposed format of a user manual containing volumes and sheets is suitable and appropriate. It is clear and concise and easy to follow.</li> <li>▪ Assess information to determine if it should be published in:               <ul style="list-style-type: none"> <li>○ larger information sheets that contain an aggregate of information that will not be changed as frequently – e.g. definitions such as “internal controls” or</li> <li>○ smaller information sheets containing low level break down of topics that will need updating more regularly.</li> </ul> </li> </ul>
4	<ul style="list-style-type: none"> <li>▪ Support the new format as it will be easier to locate information.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ We support the proposed format.</li> <li>▪ Propose that an electronic tab be used to enable quick access to topics.</li> <li>▪ Propose that flowcharts may be useful to portray some information.</li> </ul>
6	<ul style="list-style-type: none"> <li>▪ The proposed format of a user manual is supported as a centralised information source will increase agency efficiency when reviewing source material.</li> </ul>

7	<ul style="list-style-type: none"><li>▪ Yes.</li><li>▪ Many of the benefits cited will be for the issuer.</li><li>▪ Users will require the documents to have sufficient content, ongoing relevance and ease of access.</li><li>▪ Effective indexing and meta-tagging of the documents will be essential to enable effective searching of the Treasury website for the desired content.</li><li>▪ A “Print all” functionality should be included to allow for ease of printing a hard copy.</li></ul>
8	<ul style="list-style-type: none"><li>▪ Yes – format supported</li><li>▪ Documents should be published in both word and acrobat</li></ul>
9	<ul style="list-style-type: none"><li>▪ Yes as this will allow for information to be updated more efficiently without requiring the entire document to be re-released.</li></ul>
10	<ul style="list-style-type: none"><li>▪ Yes</li></ul>
11	<ul style="list-style-type: none"><li>▪ Yes the format is supported.</li></ul>
12	<ul style="list-style-type: none"><li>▪ Yes, the proposed format provides an easy to use logical approach to presenting material.</li></ul>

**Question 2**

*Do you consider the tabular format and information contained in the appendices of the existing Guidelines beneficial?*

Stakeholder	Summarised Comments
1	<ul style="list-style-type: none"> <li>▪ The proposed format in attachment C appears effective.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ Yes. The current guidelines are easy to follow and provide a good explanation of each subject with the related risk and control examples in columns beside the explanation.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ Either format works, as long as the information can be found easily</li> </ul>
6	<ul style="list-style-type: none"> <li>▪ Yes, the appendices in the existing guidelines are easy to use and beneficial when reviewing departmental financial policies and processes.</li> </ul>
7	<ul style="list-style-type: none"> <li>▪ Yes. The tabular format and information contained in the appendices of the existing guidelines are beneficial.</li> <li>▪ The effective linkage of content and titles to the Financial Management Standard has been useful.</li> <li>▪ The existing document can be easily searched, although greater use of hyper-linking to other relevant guidelines / references would be beneficial.</li> </ul>
9	<ul style="list-style-type: none"> <li>▪ The tabular format is beneficial and can be expanded by an agency if necessary.</li> </ul>
10	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>
11	<ul style="list-style-type: none"> <li>▪ Yes, the format and information contained in the appendices to the existing Guidelines is beneficial.</li> </ul>
12	<ul style="list-style-type: none"> <li>▪ Yes, the content in the existing format is useful to internal auditors. The format is acceptable, although quite lengthy.</li> </ul>
13	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>

### Question 3

*Do you consider that the proposal to change the current appendices into ‘consideration points’ will be beneficial?*

Stakeholder	Summarised Comments
1	<ul style="list-style-type: none"> <li>▪ Yes, follows the principles-based approach.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ Do not support the use of consideration points as set out in appendix C (as the definitions and risk-control relationship will be lost) or the current guidelines (as they do not demonstrate the complexities of managing risk).</li> <li>▪ Propose the use of a matrix format similar to what is used in some risk registers as it demonstrates how one internal control can address more than risk.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ No particular preference for the current tabular format versus the proposed ‘consideration points’ format. Either works well as long as the information can be found efficiently.</li> </ul>
6	<ul style="list-style-type: none"> <li>▪ No preference between the current guidelines or the consideration points principles-based approach.</li> <li>▪ If changing to consideration points, include linkages back to the legislation.</li> <li>▪ Moving to consideration points should remove the confusion for external auditors on the status (mandatory/best practice) of the current guidelines.</li> </ul>
7	<ul style="list-style-type: none"> <li>▪ A change to consideration points so that the current tables cannot be perceived as mandated will not be a substantive change or address the issue of being perceived as mandated.</li> <li>▪ The information sheets could clarify at the beginning of each sheet that they are guidance only in a similar manner to the FRRs (Sunshine Department Model Financial Report and Accounting Policy Guidelines).</li> <li>▪ There is a risk that the consideration points will contain less content and that the link between risk and the task/control will be missing</li> </ul>
8	<ul style="list-style-type: none"> <li>▪ Yes.</li> </ul>
9	<ul style="list-style-type: none"> <li>▪ Yes if the consideration points provide enhanced guidance on effective ways to manage those risks being considered.</li> </ul>
10	<ul style="list-style-type: none"> <li>▪ Yes</li> </ul>

11	<ul style="list-style-type: none"> <li>▪ Do not support the change to consideration points as it will have no material impact on agencies.</li> <li>▪ The appendices in the current guidelines should not be perceived as mandated as they are contained in “guidelines” and if they are perceived incorrectly, changing to consideration points will not alter this perception.</li> <li>▪ Call the current appendices “examples” or “samples” to clarify the issue instead of changing</li> <li>▪ Correctly identifying risk is the key to designing and implementing an effective internal control</li> </ul>
12	<ul style="list-style-type: none"> <li>▪ Yes, the proposed structure is an improvement as it is written and formatted more concisely.</li> <li>▪ Will the listings of controls for each topic in the appendices of the current guidelines be used in the new consideration points or will those in the current guidelines be reviewed and updated if necessary?</li> </ul>
13	<ul style="list-style-type: none"> <li>▪ Yes – supported.</li> </ul>

#### Question 4

*Please provide other comments, if any, on the issues outlined in this topic paper.*

Stakeholder	Summarised Comments
1	<ul style="list-style-type: none"> <li>▪ Consider how the review process will occur to update information sheets with regards to:                             <ul style="list-style-type: none"> <li>○ how much external comment will occur; as well as</li> <li>○ how the communication of approved updated information will occur.</li> </ul> </li> <li>▪ Ensure with the use of external resource references in the information sheet that the information sheet still provides all required detail in one document for the user to understand the policy position.</li> <li>▪ Ensure that the information is easy to read with short succinct sentences.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ Include a paragraph in relevant guidelines/controls discussing the applicability in a shared service arrangement to ensure that the splitting of responsibilities does not diminish the effectiveness of controls.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ Consider changing the name, as there may be confusion with the original Financial Management Manual (of which some copies are still in some agencies) and it is close in name to the Financial Management Practices Manual.</li> </ul>

7	<ul style="list-style-type: none"> <li>▪ The current guidelines are not frequently used due to their containing redundant references, they do not reflect current accounting standards and other resources provide better guidance e.g. Non-current Asset Policies.</li> <li>▪ The benefits of having up-to-date, central policy documents/guidelines/ tools are:             <ul style="list-style-type: none"> <li>○ they assist in meeting compliance obligations</li> <li>○ they release resources for value adding assurance functions</li> </ul> </li> <li>▪ Support well maintained guidelines but do not support any reduction in quality or content from the current guidelines.</li> </ul>
9	<ul style="list-style-type: none"> <li>▪ The guidelines should provide plenty of guidance for managers to facilitate the implementation of internal controls specific to their agency.</li> </ul>
11	<ul style="list-style-type: none"> <li>▪ The term “user manual” is inappropriate as it implies a detailed list of instructions that must be followed rather than guidelines. The agencies’ “Financial Practice Manuals” are usually referred to as the user manual.</li> <li>▪ It would be more appropriate to refer to them as guidance or a compendium if they are intended to provide general guidance principles.</li> </ul>
12	<ul style="list-style-type: none"> <li>▪ Warn users that the information once printed may not remain up to date in addition to including the issue date on information sheets to ensure users are aware of how current the information is. For example this could be done by using a water mark.</li> <li>▪ Support the provision of material of this kind in the public domain as it contributes to good governance and well controlled systems in all parts of the economy.</li> </ul>