



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

## **Topic Paper 5**

### **“Specific Issues”**

#### **Summary of Feedback**

Prepared by Queensland Treasury  
January 2009

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 5 – Specific Issues”. Therefore, this paper is to be read in conjunction with Topic Paper 5, available on Treasury’s website.

Topic Paper 5 recognised the complexity of the public sector and the varying sizes of agencies from small statutory bodies to large departments. It proposed areas of guidance that were identified from the review of the *Financial Administration and Audit Act 1977* and stakeholder feedback.

Topic Paper 5 also requested stakeholders to identify additional issues for guidance not in Topic Paper 2 “Overview of Content” and to provide further comments.

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.

### Specific Issues

A range of additional issues were identified for inclusion in the Financial Accountability Handbook (previously proposed to be the Financial Management Manual), with a number relating to statutory bodies including:

- the need for an internal audit function in statutory bodies and sharing the function between departments, shared service providers and statutory bodies
- cost-effective accrual processes for small agencies.

Some additional miscellaneous issues proposed for inclusion in the Handbook were:

- guidance on performance management and key performance indicators
- increased number of definitions or clarification of terms, for example; loans, investments and grants
- applying the Executive Council Minute for approval of contract expenditure
- accountable officer delegations for approval of other expenditure
- action on losses and loss registers
- the regularity with which the Handbook and policies are reviewed
- application of legislation with regards to controlled entities and gifts
- the relationship between the chief finance officer’s statement of assurance requirements and controlled entities.

### 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.

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

## Summarised Feedback – Topic Paper 5

This document provides in summarised form the responses of stakeholders to the questions asked in Topic Paper 5 “Specific Issues”. The comments have been reviewed and placed with the most appropriate question.

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

*Are there any specific issues you would like covered in the Guidelines? If so, please provide details.*

| Stakeholder | Summarised Comments  |
|-------------|--|
| 2           | <ul style="list-style-type: none"> <li>▪ Performance management, KPIs.</li> </ul>  |
| 6           | <ul style="list-style-type: none"> <li>▪ The inclusions of information in regard to the application of the Executive Council Minute on contract expenditure and delegations for accountable officers for general expenditure for an unlimited amount to the approved annual budget.</li> </ul>   |
| 7           | <ul style="list-style-type: none"> <li>▪ There may be opportunity to consider the CFOs’ assurance statement requirements in relation to controlled entities (e.g. companies or commercialised business units) and consolidated economic financial statements.</li> </ul>   |
| 11          | <ul style="list-style-type: none"> <li>▪ The need for statutory bodies to have internal audit units.</li> <li>▪ Action to be taken when a loss is expected and loss registers.</li> <li>▪ The regularity with which reviews will be undertaken on the Financial Accountability Handbook, policies and guidance.</li> <li>▪ Guidance on delegations for approval of expenditure including:               <ul style="list-style-type: none"> <li>○ contracts approved under the applicable ECM</li> <li>○ payments made under an approved contract and</li> <li>○ recurrent expenditure as there still appears to be confusion as to the required delegations in these areas.</li> </ul> </li> <li>▪ Legislative responsibilities for controlled entities:               <ul style="list-style-type: none"> <li>○ gifts registers and thresholds</li> <li>○ administration requirements for Machinery of Government changes</li> <li>○ a schedule of all government publications, detailing which agencies must have regard to or comply with each publication and</li> <li>○ a schedule of which professional statements are applicable to agencies.</li> </ul> </li> </ul> |

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|----|--|
| 14 | <ul style="list-style-type: none"> <li>▪ Sharing of internal audit functions between statutory bodies, shared service providers and departments.</li> <li>▪ Can the definitions of investment, loan and grant be clarified, as they are referenced in numerous documents but are not defined and can in some situations be difficult to apply? For example it is difficult determining if payments to film, theatrical, music productions, tours or exhibitions are investments, as they can all have an element of recovery if they are a success - but full principal + ROI is unusual. They aren't a purchase of an agency-rated security, which seems to be the current legislative meaning of an investment.</li> <li>▪ In most cases there is a Treasurer's general approval given to the statutory body for certain transactions. However, some legislative guidance would be welcomed.</li> <li>▪ For small agencies, guidance on cost-effective accrual processes may be useful.</li> </ul> |
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**Question 2**

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

| Stakeholder | Summarised Comments  |
|-------------|--|
| 2           | <ul style="list-style-type: none"> <li>▪ Clarify in the paper points that refer to stakeholder feedback about guidance on a number of specific issues (page 3) including the "role of internal audit with regards to the preparation of financial statements" (7<sup>th</sup> dot point), as this is not about internal audit actually preparing financial statements.</li> </ul>  |
| 7           | <ul style="list-style-type: none"> <li>▪ Over time there will be opportunity to expand central agency guidance documentation to ensure that there are comprehensive whole of government solutions for common areas of agency activity. For example, there may be opportunity for publication of a central FMPM which agencies could adapt to meet their specific needs.</li> </ul> |
| 11          | <ul style="list-style-type: none"> <li>▪ We suggest that the Guidelines are written in such a way so as to ensure that all agencies are able to apply them on a consistent basis.</li> </ul>   |