



NSW Treasury

# The CFO Certification Policy Update 2023

Presentation deck for consultation

Claire Curtin, Associate Director  
Jessica Chung, Senior Policy Advisor  
Financial Management Policy

September 2023

**ONE**  
TREASURY

# Policy Requirements and Recommendations



---

It **requires** CFOs of all GSF agencies to provide to their Accountable Authority a certification that acknowledges:

- Their responsibility to design, implement and test an internal control framework for financial systems and information
- Whether the internal control framework was effective throughout the year, and documents any control weaknesses and deficiencies, potential impacts and remedial actions

It **recommends** how to design, implement and test an effective internal control framework for financial systems and information based on the COSO 2013 Framework.

It provides **supporting** examples of internal controls and certification checklists to adapt and use.

The COSO Framework is a system used to establish internal controls to be integrated into business processes. Collectively, these controls provide reasonable assurance that the organization is operating ethically, transparently and in accordance with established industry standards. COSO is an acronym for the Committee of Sponsoring Organizations.

# Proposed Policy Changes



---

## Proposed Changes to TPP17-06

- Reflects the Government Sector Finance Act 2018 (GSF Act), including extending the scope to all GSF Agencies (previously only material agencies listed in BP3 had to comply)
- Responds to sector feedback from mid-2021 – more accessible language, improved useability
- Adopts a plain English and a principles based approach – focuses on two core requirements supported by recommendations and guidance
- Updates an existing policy released over 6 years ago and fundamentally unchanged since 2010
- Changes who must submit the CFO certification to Treasury and how

## Consultation Plan

- Internal consultation including P&B, TSFR, Treasury Finance and Internal Audit
- Formal consultation during Sep-Oct 2023 including Finance Leadership Committee, Audit and Risk Committee groups, the agencyinfo distribution list, the Audit Office and ICAC
- Target release date is **February 2024**

# Why we need the CFO Certification Policy



**This policy holds CFOs accountable to design, implement and test throughout the year, a risk-based internal control framework over their financial systems and information to:**



Ensure early ID of control weaknesses and deficiencies that may lead to financial reporting errors



Support s3.6 of GSF Act - Accountable Authorities must “establish, maintain and review an effective system of internal control and assurance”



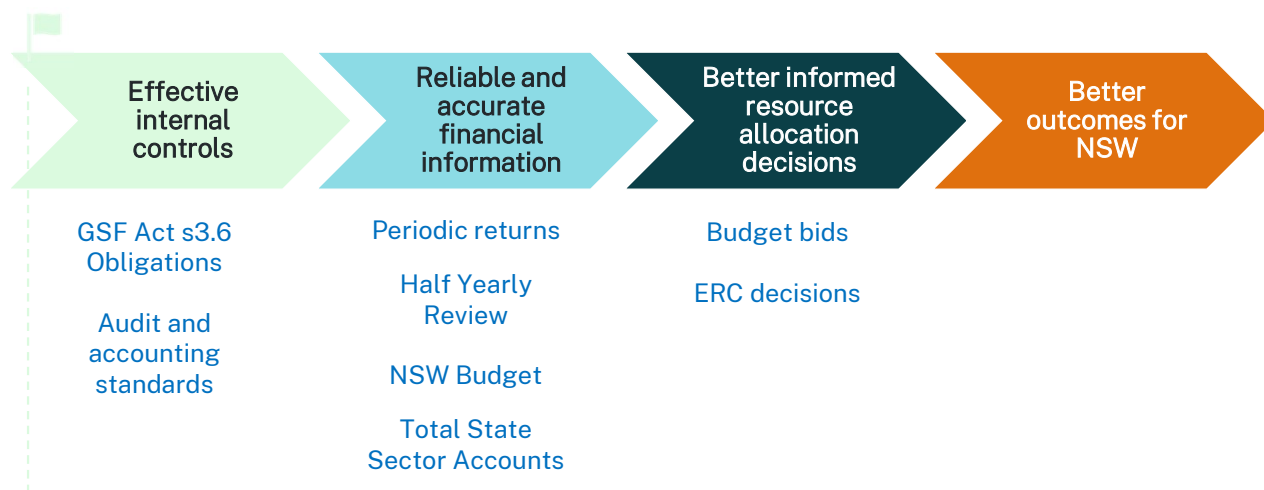
Support Part 7 of GSF Act - promote transparency and accountability and support informed decision making



Ensure high quality financial information and reporting that is a fair presentation of financial position and performance

The CFO Certification Policy is part of a broader suite of policies that Treasury has responsibility over.

## How this policy impacts NSW



Accountable Authorities have a formal responsibility under the GSF Act and auditing and accounting standards to maintain effective internal controls. CFOs support this responsibility.

Agencies submit financial information to Treasury for various important uses – monthly returns, HYR, the Budget and TSSA.

An effective internal control framework impacts the reliability and accuracy of financial information agencies provide to Treasury.

This information is relied on to inform resource allocation decision by the Government including at Budget time. While it doesn't certify the Budget figures themselves, it provides assurance over the generation of the figures that feed into the Budget.

Without reliable information, we can't allocate resources effectively. And all of our work has the ultimate goal of producing better outcomes for the people of NSW.

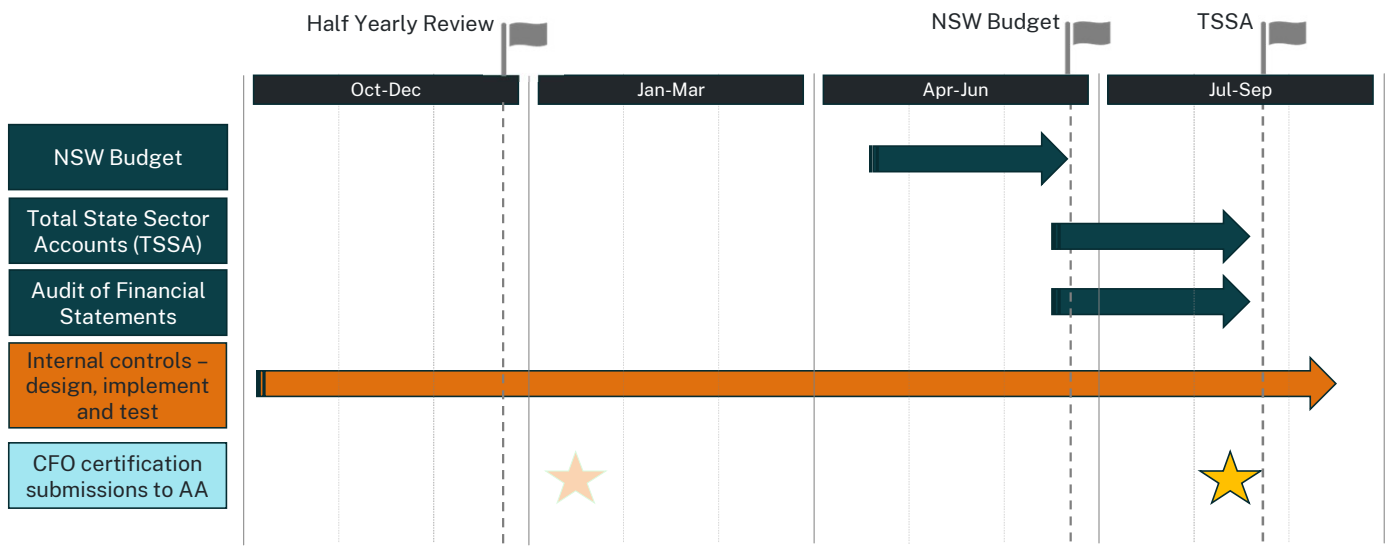
# Consultation Questions



- 
1. Do you believe this policy will **continue, or lead to, good internal controls**?
  2. Is the proposed **timing** – signed Certification provided to the AA prior to finalisation of the financial statements - fit for purpose?
  3. Can the policy **scale** to all GSF agencies or do smaller agencies need a different, more scalable process? If so, what should that be?
  4. Are there major **implementation** issues with the current policy (TPP17-06)? Does this new draft address them?
  5. What can Treasury do to **support** you to successfully comply with the policy?
  6. Guidance 1.6 of the policy considers certification for **wholly controlled entities**. Are there situations where a partial certification would be useful, and if so, when?
- 

We're inviting feedback for a month, from 13 September and closing on 13 October 2023.

# CFO Certifications: A Continual Process Supporting Critical Outputs



Before the year begins, the CFO should:

1. Design or review the internal control framework and agree it with the Accountable Authority and the Audit and Risk Committee.
2. They should also develop an annual program to test and monitor the internal control framework, and advise internal audit, the AA and the Audit and Risk Committee

At around the middle of the year, the CFO should update the Accountable Authority to ensure continuous monitoring of the internal control framework against the annual program and support early identification of control weaknesses.

After the end of the financial year, the CFO must provide the CFO certification and supporting evidence to the Accountable Authority, and before the full-year financial statements are finalised.

Note, while this particular TPG no longer requires it, agencies will still need to submit the CFO certifications to Treasury as part of Total State Financial Reporting (TSFR) Mandatory Year-End process.

## Proposed Policy Changes (detail)

Proposed change	Reason
CFOs of all GSF agencies must provide their Accountable Authorities (AA) a signed letter of Certification before the financial statements and reporting are finalised each financial year	Clarify timing
Reflects change from Public Finance and Audit Act 1983 (NSW) to the Government Sector Finance Act 2018 (NSW), including extend the scope to all GSF agencies, from BP3 agencies only	Legislative change
Adopts a principles based approach – focuses on two core requirements supported by recommendations and guidance	Improve outcomes while providing flexibility to adapt to agency needs
Adopts plain English language	Improve clarity, usability
Optional Internal Control Checklist and Management Certification Checklist themed by role and fact-based	Improve usability