

Policy and Guidelines: CFO Certification on the Internal Control Framework over Financial Systems and Information

TPG23-[xx]

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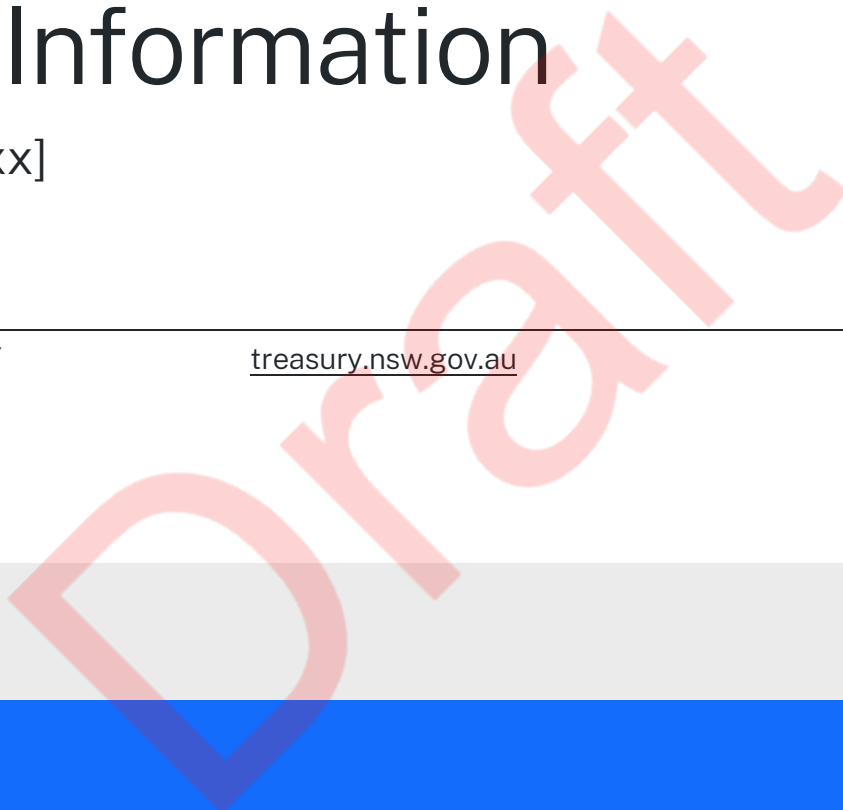
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Policy and Guidelines: CFO Certification on the Internal Control Framework over Financial Systems and Information

TPG23-[xx]



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Acknowledgement of Country

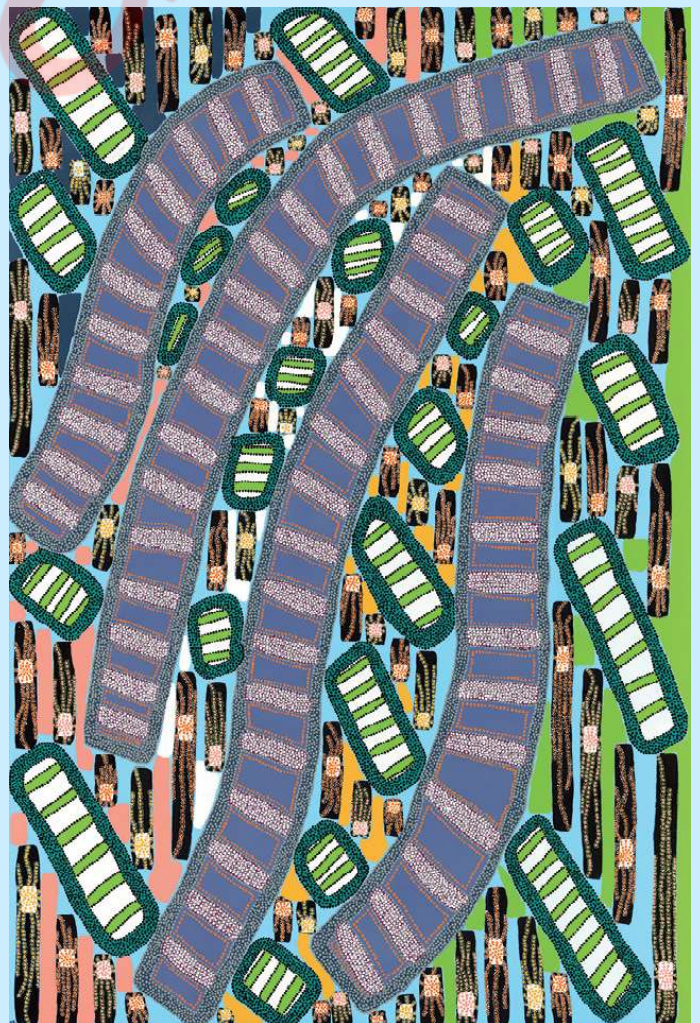
We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with. We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:
Regeneration by Josie Rose



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Key information	
Treasury Policy and Guidelines (TPG) is relevant to?	<input checked="" type="checkbox"/> Government Sector Finance Agencies <input checked="" type="checkbox"/> General Government Sector <input checked="" type="checkbox"/> Public non-financial corporation <input checked="" type="checkbox"/> Public financial corporation <input checked="" type="checkbox"/> State Owned Corporations <input type="checkbox"/> Other
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	<input checked="" type="checkbox"/> Subsidiaries of the NSW Government established under the Corporations Act 2001
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Document approver	
Contact	finpol@treasury.nsw.gov.au
Document contains	
<input checked="" type="checkbox"/> MANDATORY POLICY compliance set out by NSW Treasury.	
<input checked="" type="checkbox"/> RECOMMENDED POLICY reflecting best practice standards.	
<input checked="" type="checkbox"/> GUIDANCE/ADDITIONAL INFORMATION to provide clarity or explain requirements in detail.	
<small>NSW Treasury Policy and Guidelines: CFO Certification on the Internal Control Framework over financial information and systems NSW Treasury 1</small>	

Revision history

Document version number	Approval Date	Author	Approver	Description
0	November 2014			Document Original – first publication
1	TPP17-06			<p>Due date for submission of Letter of Certification to Treasury has been changed from 31 October to 15 September from 2016-17 Onwards.</p> <p>Submission inbox has been standardised to agencyinfo@treasury.nsw.gov.au across the document.</p> <p>Further clarification provided on obtaining certifications from external service providers (Core Requirement 4).</p> <p>All references to TPP 09-05 have been updated to reflect TPP 15-03.</p> <p>Allowance for agencies to certify on behalf of any wholly controlled entities.</p> <p>Amendments to wording of CFO Certification template.</p> <p>Further clarification provided on responsibilities of the CFO (Core Requirement 2).</p>
xx		FMP		<p>The policy has been updated to a principle-based policy which requires all CFOs of GSF agencies to provide their Accountable Authority with an annual CFO Certification.</p> <p>It also reflects the requirements of the Government Sector Finance Act 2018 (GSF Act).</p>

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CFO Certification on the Internal Control Framework over Financial Systems and Information

Purpose

The purpose of this policy is to hold CFOs of GSF agencies accountable to design, implement and test throughout the year a risk-based internal control framework over their financial systems and information. This is to:

1. ensure early identification of control weaknesses and deficiencies related to financial information and reporting that may lead to financial reporting errors,
2. support Accountable Authorities (AA) fulfil part of their *Government Sector Finance Act 2018* (GSF Act) responsibility for establishing, maintaining and reviewing effective internal controls (s3.6), in relation to their responsibility over financial information and the preparation of financial statements (GSF Act s7.5),
3. support the Objects of Part 7 of the GSF Act, “Reporting”, relating to promoting transparency and accountability and ensuring financial information supports informed decision making (GSF Act s7.1(2)), and
4. ensure high quality financial information and reporting that is a fair presentation of financial position and performance, and is relevant, reliable, comparable and understandable (AASB 101).

Overview

This policy mandates that CFOs of all GSF agencies are required to provide their AA an annual letter of Certification, the CFO Certification, that:

- acknowledges their responsibility for designing, implementing and continually testing the operation of the risk-based internal control framework over the GSF Agency’s financial systems and information, and
- certifies the effectiveness of the operation of the internal control framework over financial systems and information throughout the financial year, and summarises any control weaknesses and deficiencies, their potential impacts on financial systems or information, and any remedial action plans, including mitigating controls.

CFOs are responsible for the financial management and oversight of the agency, including all financial information and reporting. Considering their responsibility for financial management and oversight of the agency, CFOs perform the first line function in the *IIA's Three Lines Model*. CFOs are responsible for owning and managing risks associated with financial management and having in place processes to show controls are working effectively and a continual focus on risk management.

High quality financial information is essential to support budgeting and resource allocation decisions. An effective internal control framework over financial systems and information protects the quality of financial information and therefore ensures decisions are made based on accurate and reliable information. Not only is the quality of the agency's financial information important at an agency level, it is also important for whole of sector resource allocation decisions.

An effectively designed and operating internal control framework over financial systems and information will support the CFO in ensuring that the agency's financial information is relevant, reliable, comparable and understandable, and that financial reports present a true and fair view in all material aspects of the agency's financial position and performance. It will also support the CFO in ensuring the information the agency submits to Treasury to prepare the Total State Sector Accounts (TSSA) result in a TSSA that presents a true and fair view for the State.

Leading guidance for the sector on internal control frameworks can be found in publications by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)*, and the *Audit Office of NSW*.

1. CFO Certification on the internal control framework over financial systems and information

Mandatory

- 1.1 CFOs of all GSF agencies are responsible to design, implement and test throughout the year a risk-based internal control framework over their financial systems and information.
- 1.2 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. The CFO Certification must:
 - 1.2.1 acknowledge the CFO's responsibility to design, implement and test throughout the year a risk-based internal control framework over their financial systems and information,
 - 1.2.2 confirm how effective the internal control framework over financial systems and information was for that financial year,
 - 1.2.3 include a summary of internal control issues that clearly communicate any internal control weaknesses and deficiencies identified during the financial year, that includes the potential impact, the planned course of remedial action, and if the issue was noted in prior years

An example CFO Certification is provided in Appendix A.

Recommendation

- 1.3 CFOs should agree the structure and content of the CFO Certification, and what supporting evidence and information (see part 3) is expected, with the AA prior to start of the financial year.

Recommendation

- 1.4 Where applicable, the CFO should provide the Audit and Risk Committee (ARC) a copy of the CFO Certification, along with supporting evidence and information, in order to support their oversight responsibility of the agency's financial information, as established by TPP20-08.
- 1.5 The CFO should continuously monitor the internal control framework against the annual program (see part 2), to support early identification of control weaknesses and deficiencies related to financial information and reporting that may lead to financial reporting errors.
- 1.6 The CFO should update the AA around the middle of the financial year on performance against the annual program (see part 2).

Guidance

- 1.7 CFOs of a parent entity can provide a singular CFO Certification, incorporating any wholly controlled entities, if:
 - a. the wholly controlled entities share the same AA,
 - b. all governance and operating activities of the entity is wholly controlled by the parent, including sharing a singular internal control framework, and
 - c. the entity is consolidated into the parent's financial reports.

Appendix A provides an example CFO Certification.

2. Designing, implementing, and testing the internal control framework over financial systems and information

To discharge their responsibility, it's critical that the CFO is actively involved in the design, implementation and testing of the internal control framework over financial systems and information to be reasonably assured that it is effective and hence be able to complete the CFO Certification.

Recommendation

Designing and implementing the internal control framework over financial systems and information:

- 2.2 The CFO should design and annually review the internal control framework prior to the beginning of the financial year.
- 2.3 The CFO should agree the planned design for the internal control framework over financial systems and information with the AA and the ARC (where applicable).
- 2.4 The CFO should ensure the design and review of the internal control framework over financial systems and information:
 - a. is risk-based
 - b. supports the achievement of the agency objectives
 - c. uses both preventative and detective controls
 - d. considers internal and external financial reporting obligations, including Annual Returns Checklist and early close procedures issued by NSW Treasury

Recommendation

- e. is based on COSO 2013 Framework's 5 components and 17 principles of internal control
- f. ensures that the roles and responsibilities of all staff involved have been clearly communicated to those staff, and
- g. considers the results of in-year and prior period internal control testing, findings from internal and external audits, and changes in the agency's risk profile, and adjusts the internal control framework over financial systems and information based on those results.

The CFO's annual program to test the effectiveness of the internal control framework over financial systems and information:

- 2.5 The CFO, as the first line function¹, should develop an annual program to test and monitor the internal control framework over financial systems and information.
- 2.6 The CFO should plan this annual program prior to the beginning of the financial year, and advise the agency's internal audit function, the AA, and the ARC of the plan.
- 2.7 The annual program should include:
- 2.6.1 periodic testing of standard controls, and
 - 2.6.2 targeted risk-based testing of controls over high risk financial information and transactions.
- 2.8 The CFO should consider the findings of internal and external audit procedures when planning this annual program, but should not rely on these audit procedures to test the effectiveness of the internal control framework over financial systems and information.
- 2.9 The CFO should keep an on-going log of internal control issues, which should include all control weakness and deficiencies that are identified during the financial year through this annual program, including when and how the issue was identified, their potential impact on financial reporting, and the planned course of remedial action.
- 2.10 The CFO should monitor identified control issues.

Appendix B provides a non-exhaustive list of examples of internal controls over financial systems and information.

3. Evidence and information to support the CFO Certification

Recommendation

- 3.1 Results of the annual program - Primarily, the CFO's certification should be based on the results of the CFO's annual program to test the effectiveness of the operation of the internal control framework over financial systems and information. The CFO should provide the results of the testing to the AA in support of the CFO Certification.
- 3.2 Management Certification - For agencies where line managers have input in setting budgets and accountability for managing financial resources, the CFO should ensure that line

¹ The IIA's Three Lines Model of governance defines 'first line roles' as those directly aligned with delivery. Management responsibility to achieve organisational objectives also consists of 'second line roles' which are those which provide assistance with managing risk.

Recommendation

managers complete a tailored management certification checklist and take the results into consideration for their CFO Certification.

3.2.1 The CFO should decide the appropriate level at which to seek management certification based on the agency's financial accountability framework and an appropriate risk assessment. This should take account of the volatility and historical financial performance of the business area as well as its overall size.

3.2.2 The CFO should ensure that the management certification checklists are written in plain English and with minimal financial jargon, to ensure it is easily understood by all contributing staff.

3.3 Outsourced and Shared Service Certification - For agencies that outsource or engage shared service providers to perform functions that may impact financial information and reporting, the CFO should collect certifications from the service provider on the design and effective operation of controls in the service organisation. These service provider certifications should be considered as evidence by the CFO in completing the CFO Certification, recognising their potential impact to the quality of the agency's financial information. Certifications collected from outsourcing or shared service providers should be at the same level of detail as that provided by the CFO to their AA.

Appendix C provides examples of basic internal control and management certification checklists, which should be tailored to the agency's specific needs.

Definitions

Term	Definition
Accountable Authority	For an agency, has the same meaning as in section 2.7(2) of the GSF Act, which is, unless otherwise specified in the GSF Act, the Secretary of the Department if the agency is a Department, or the head of the agency if the agency is not a Department.
Annual program	The Annual program to test the effectiveness of the internal control framework over financial systems and information, designed by the CFO and prior to the beginning of the financial year.
Audit and Risk Committee	The Committee established in accordance with the TPP20-08 to monitor, review and provide advice and guidance about the agency's governance processes, risk management and internal control frameworks and external accountability obligations.
CFO	The Chief Financial Officer (CFO) is the most senior position in the agency with the primary responsibility and accountability for the financial management of the agency, including the preparation of external and internal financial reports and the delivery of other financial management support functions.
CFO Certification	The annual certification made by the CFO of a GSF Agency as to the effectiveness of an agency's internal control framework over financial systems and information, that is provided to the Accountable Authority and is supported by evidence and information.
GSF Agency	The same definition as 2.4 of the GSF Act.
Internal control framework over financial systems and information	An intentionally designed organisation of internal controls, including measures and activities such as policies, procedures, processes and systems, implemented to mitigate risks to the quality of financial information, and intended to provide reasonable assurance over the accuracy of the financial systems and information that contribute to reliable and accurate financial reporting.
Log of internal control issues	An on-going log kept by the CFO of internal control weaknesses and deficiencies identified during the financial year through the annual program, including when and how the issue was identified, their potential impact on financial reporting, and the planned course of remedial action.

Appendices

TAB	Document Name	Location [indicate if an Attachment or provide the online link/web address]
A	<i>Example CFO Certification Template</i>	<i>Appendix A</i>
B	<i>Examples of internal controls over financial systems and information</i>	<i>Appendix B</i>
C	<i>Examples of basic internal control and management certification checklists</i>	<i>Appendix C</i>

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Appendix A- Example CFO Certification Template

Letter of Certification

To the Accountable Authority of [agency name]

For the Financial Year [20XX-XX]

Expression of opinion as to the effectiveness of internal controls over financial information

I [Chief Financial Officer of agency name] acknowledge my responsibility for designing, implementing and testing throughout the financial year a risk-based internal control framework over financial systems and information.

I certify that during Financial Year [20XX-XX], [agency name] had an effective internal control framework over financial systems and information, ensuring high quality financial information and reporting.

OR

I certify that during Financial Year [20XX-XX], [agency name] had an effective internal control framework over financial systems and information, noting the internal control weaknesses below in the control issues summary that did not have a material impact on financial information and reporting.

OR

I certify that during Financial Year [20XX-XX], [agency name] had an ineffective internal control framework over financial systems and information, noting the internal control deficiencies below in the control issues summary that had a material impact on financial information and reporting.

My certification is based on the following supporting evidence and information which are attached to this Certification:

- Attachment 1: Results of the annual program to test the effectiveness of the operation of the internal control framework over financial systems and information
- [Attachment 2: Results of the Management Certification Checklists]
- [Attachment 3: Certifications of control effectiveness from service providers]

This certification also is made on behalf of the following wholly controlled entities:

- [Entity 1]
- [Entity 2]
- [Entity 3]

Summary of internal control issues for the financial year:

Identified control weakness/deficiency	Likely impact	Action plan to address	Timeframe	Was the deficiency noted in prior years? (Y/N)

--	--	--	--	--

[name]
Chief Financial Officer
[Date]

[Email and other contact information]

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Appendix B - Examples of internal controls over financial systems and information

Policies and procedures should provide clear and up-to-date accounting and procedural guidance with unambiguous instructions for key processes that underpin the collection, collation and reporting of financial information. The accounting procedures should also clearly identify roles and responsibilities against key processes and the associated accountabilities.

Authorisation and approval procedures (including delegations) should be clearly defined and widely understood. Transactions should be authorised by people acting within the range of their authority.

Segregation of duties ensures that no single person has control over a transaction from beginning to end. Ideally, no single person should be able to authorise, pay, record and reconcile a transaction. Effective segregation of duties provides an important mechanism to better detect and prevent intentional and unintentional error. In some instances, resource constraints might impede full segregation of duties. These instances should be clearly documented and alternative control activities – such as periodic review processes – implemented.

Performance appraisal and the provision of training should be a priority to ensure that staff have the knowledge and skills to effectively deliver on their responsibilities. Staff should be held accountable for their roles and responsibilities but this should be in an environment that supports strong performance with good information, training and coaching. Existing and new processes, procedures and technology should be supported through the availability of accessible information and guidance. Deficiencies in knowledge and skills should be promptly addressed through training, coaching and supervision.

Sound systems design and construction will ensure that technical systems properly support the agency's internal control framework and financial reporting objectives. Key stakeholders should be consulted during systems design or redesign including preparation of specifications, computer systems design, testing and documentation to ensure that control objectives are satisfied. The design, and any changes to systems and programs, should be clearly authorised with acceptance of test results with final approval of changes approved in writing by the project sponsor.

System-enabled control activities can provide a means of automating procedures and processes. For example, access controls such as access restrictions and password protections provide a means of implementing authorisation and approval procedures and segregation of duties. Audit trails provide a means of reviewing and evaluating the effectiveness of access controls as well as providing a means of investigating suspected irregularities. Other system-enabled control activities can include input controls where input data is automatically reconciled to source documentation and version controls to identify the latest approved versions of files.

Reconciliation processes should be completed in a timely manner to ensure the accuracy of financial information. Where appropriate, the reconciliations procedures should include:

- responsibility for reconciliation completion and review
- frequency of reconciliation completion
- prioritisation of key reconciliations
- format of the reconciliations

- completion deadlines
- requirements for reconciling items to be followed up and cleared in a timely manner
- requirements to review spreadsheet validity
- requirements for appropriate supporting documentation to be attached
- requirements for evidencing preparation and review processes.

There should be a segregation of duties between responsibilities for the preparation and review of reconciliations.

Automation of reconciliation processes, where possible, can ensure timeliness, support consistent format, and reduce resource requirements associated with reconciliation processes. Automated processes, however, should have clear control objectives and provide an audit trail that can be readily monitored and reviewed.

Variance analysis should be routinely undertaken to identify and explain differences between budgeted amounts and actual amounts. Not only can variance analysis be useful in identifying irregularities or particular issues for correction or redress, but it can also provide early information about a performance trend in the agency.

Performance and quality reviews of operations, processes and activities represent important detective control activities. Reviews can be undertaken in a range of diverse formats including formal reviews (special and periodic), informal reviews and evaluations, and ongoing review processes such as supervision.

Appropriate thresholds for the adjustment of errors provide a useful, commonly agreed, reference point to guide decisions about the approach to be adopted in respect of correction of errors and misstatements. Appropriate thresholds for adjustment of errors or misstatements in financial reporting help to ensure the proportionate and efficient use of resources. It is important that such thresholds are agreed with the auditors and documented.

Disaster recovery plans protect financial information and financial reporting by planning for the detection and containment of disasters and recovery from disasters. Disaster recovery plans should be tested regularly and reviewed at least bi-annually using rigorous risk assessment processes to ensure that they are current and accurate.

Fraud and corruption is an important focus for internal control. Agencies should develop and implement internal control activities, including specific policies and procedures, to prevent, detect and correct fraudulent financial reporting, such as the falsification of accounting records and the intentional omission of transactions and misapplication of accounting principles. Controls should also be in place to prevent, detect and correct misappropriation of resources or assets. The *NSW Audit Office Fraud Control Improvement Kit: Meeting your Fraud Control Obligations* provides agencies with better practice guidance to enhance fraud controls. The Independent Commission Against Corruption also has *extensive guidance on preventing corruption*.

Appendix C – Sample Checklists

Example - Basic Internal Control Checklist

	ETHICS AND INTEGRITY
	<ul style="list-style-type: none"> ○ The agency had a culture that emphasises the importance of integrity and ethical behaviour which was modelled through the behaviour of senior management ○ A code of conduct was in place that is consistent with the government sector core values as outlined in the <i>Government Sector Employment Act 2013</i>, with adherence monitored and deviations remedied ○ Management displayed an on-going commitment to the effective implementation of financial management internal controls
	OVERSIGHT
	<ul style="list-style-type: none"> ○ The Audit Risk Committee has completed its considerations of the financial statements as required by <i>TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector</i> with any issues raised resolved ○ Agency structure and roles are clearly defined to ensure that financial management responsibilities and expectations are understood ○ Financial information is regularly reviewed by senior management, with arrangements in place for the approval, review and oversight of financial reporting at the budget holder level ○ There is sufficient oversight of the overall system of internal controls
	PLANNING
	<ul style="list-style-type: none"> ○ A workplan and timetable for the preparation and distribution of financial statements and other financial information has been agreed with relevant stakeholders to meet the requirements of the NSW Treasury reporting timetable and the <i>Government Sector Finance Act 2018 (NSW)</i> ○ Plans have been made to obtain certified information from other agencies that is required for the agency's financial statements ○ Implementation of the work is regularly reviewed to ensure requirements are completed to agreed timeframes, with contingency arrangements in place for unexpected staffing changes
	RESOURCE MANAGEMENT
	<ul style="list-style-type: none"> ○ Effective human resource policies and procedures are in place to ensure the recruitment and retention of appropriately skilled and qualified finance professionals ○ Senior management evaluated the financial management capability across the organisation, and provide opportunities for professional development
	ACCOUNTING POLICIES
	<ul style="list-style-type: none"> ○ The agency's accounting policies and procedures are appropriate and consistent with the Australian Accounting Standards, and any requirements outlined by NSW Treasury ○ Any changes in the agency's accounting policies from previous reporting periods have been disclosed, with the impact quantified in the financial statements and endorsed by the relevant stakeholders
	LEGISLATIVE AND POLICY COMPLIANCE
	<ul style="list-style-type: none"> ○ Any breaches of legislation or policy have been addressed appropriately

	<ul style="list-style-type: none"> ○ Monies were spent for the purpose for which they were appropriated, and limits were complied with as per s4.6 and s5.5 of the <i>Government Sector Finance Act 2018</i> (NSW) ○ Any rollovers of unspent appropriations have been appropriately approved ○ Delegated powers were appropriately exercised ○ Financial impacts of any outstanding legal or contractual matters are identified and reflected in the financial statements and other information, where appropriate
ACCOUNTABILITY	
	<ul style="list-style-type: none"> ○ Accountability for policy compliance is embedded in the organisation, with corrective actions undertaken where necessary
RISK MANAGEMENT	
	<ul style="list-style-type: none"> ○ Analysis of financial management risks considered internal and external factors and impacts to financial reporting objectives ○ Effective risk management practices were consistently applied, with management ensuring that suitable risk treatments were planned and implemented ○ Regular monitoring and consideration of the identified risks and treatments took place, with risk tolerance being identified and communicated ○ Mechanisms exist to alert senior management to new and changing risks regarding the preparation of financial information
FRAUD AND CORRUPTION	
	<ul style="list-style-type: none"> ○ If fraud was suspected at any point, the agency considered what this may have affected and reported to the Accountable Authority and ARC ○ Factors that could place pressure on management and increase the risk of fraudulent financial reporting have been considered, with appropriate mitigation and control activities in place ○ Channels are in place to enable the confidential communication of compliance concerns, with reports investigated fully
INTERNAL CONTROLS	
	<ul style="list-style-type: none"> ○ Internal controls have been selected and developed to contribute to the mitigation of risks and ensure compliance with legislation, with a comprehensive analysis of their effectiveness undertaken ○ Internal controls were sufficiently robust to prevent, detect or correct potential error, misstatement or fraud ○ Internal controls relating to key IT systems operated as intended ○ Internal controls were reinforced through clear policies and guidelines for employees to understand role expectations and how to implement internal controls ○ Accountability for the implementation of internal control policies and procedures is clearly established
PREPARATION OF FINANCIAL REPORTS	
	<ul style="list-style-type: none"> ○ All early close procedures were completed as outlined in NSW Treasury's annual instructions ○ All procedures outlined in the annual Financial Reporting Checklists for Early Close and Year-End Reporting provided by Treasury were completed ○ Accounts close was completed to deadlines, with any lessons learnt documented, and any lessons from the prior year acted upon ○ Financial statement items and corresponding notes: <ul style="list-style-type: none"> ○ reflected the re-stating of comparative year figures, where appropriate

	<ul style="list-style-type: none"> ○ were supported by lead schedules and other supporting documentation, reconciling the trial balance where appropriate, and ○ were free from arithmetical and typographical errors ○ Specific notes and disclosures were prepared to the requirements of Australian Accounting Standards and NSW Treasury policies, with any additional disclosures included that were required to present a true and fair view ○ All events occurring during the reporting period were appropriately adjusted or disclosed ○ The group financial statements included the results of the parent entity, all subsidiaries, associates and joint ventures, and all special purpose entities controlled by the agency
	PREPARATION OF FINANCIAL INFORMATION
	<ul style="list-style-type: none"> ○ The Accountable Authority and ARC have endorsed an appropriate materiality threshold ○ Any errors or misstatements identified during the year were corrected and analysed to consider their impact, with their root cause investigated ○ Any irregularities and unusual items within draft financial reports were investigated and corrected where necessary, with the possibility of a systematic breakdown of internal controls considered ○ Management is satisfied with the explanations of any significant variance from the prior year and the current year's budget ○ The accounting treatment for significant non-recurring transactions or events were checked and explained. ○ Significant accounts were checked for accuracy ahead of the financial statement preparation ○ Reconciliations were completed between data outputs from financial and related IT systems ○ Checks were in place to ensure financial analysis was accurate and could be reconciled back to source data ○ Accruals-based management accounting reports were prepared regularly, with routine analysis being performed and any problems identified addressed promptly ○ Accounting estimates were based on sound assumptions about future conditions, transactions or events, with the methodology used to develop them documented and based on appropriate accounting policies
	MANAGEMENT CERTIFICATIONS
	<ul style="list-style-type: none"> ○ Budget holders and appropriate business area managers have signed off on the financial statements and other financial information ○ Management certifications have been supported by appropriate documentation
	OUTSOURCED SERVICE PROVIDERS
	<ul style="list-style-type: none"> ○ Outsourced service providers were governed by a service level agreement with clearly defined objectives, service outputs, performance indicators and measures. ○ A letter of certification was received from the outsourced service provider satisfying the effectiveness of internal controls in the service organisation
	RECORD KEEPING
	<ul style="list-style-type: none"> ○ Key documentation supporting the preparation of the financial statements and other financial reports has been maintained ○ Any significant management judgements and estimations have been adequately disclosed and documented

	<ul style="list-style-type: none"> ○ Financial Reports were certified in accordance with the agreed arrangements ○ Financial records meet the requirements of the State Records Authority ○ Accounting records have been retained in accordance with the NSW Treasury and ATO requirements
	QUALITY ASSURANCE
	<ul style="list-style-type: none"> ○ Any issues raised regarding the quality of financial information or untimely reporting of information were appropriately addressed and remedial measures were taken ○ All matters raised by the ARC from its review of the financial statements and other financial information were addressed ○ An evaluation into the financial statement preparation process has been undertaken, with observations documented for future reference ○ Any recommendations provided by internal audit or any other external consultancy/assurance body were successfully implemented and monitored by the ARC and the Accountable Authority
	AUDIT
	<ul style="list-style-type: none"> ○ Records and related information that support the financial statements were made available to external audit ○ Reasons for not correcting any errors or misstatements identified by external audit were reported to the Accountable Authority/Board/ARC, where appropriate ○ The audit opinion including issues arising from the audit has been discussed with the NSW Audit Office ○ Any legal compliance issues raised by internal and/or external audit adequately addressed and reflected in the financial statements

Example – Basic Management Certification Checklist – General (non-finance focused)

CULTURE	<ul style="list-style-type: none"> ○ Employee compliance with the code of conduct has been monitored ○ The importance of high quality financial information is embedded in the team culture
ACCOUNTABILITY	<ul style="list-style-type: none"> ○ Employees have clarity on their roles and responsibilities in relation to financial information, and legislative and policy compliance ○ Robust arrangements are in place in your business area for the review and approval of financial information ○ Systems are in place to enable compliance with legislative and policy obligations, including <ul style="list-style-type: none"> ▪ Staff are encouraged to seek legal, expert, or NSW Treasury advice in situations where risks associated with non-compliance are high ▪ Any significant breaches of legislation were reported to executive management
DELEGATIONS	<ul style="list-style-type: none"> ○ Administrative and financial delegations were followed according to guidelines
CONTRACTORS AND CONSULTANTS	<ul style="list-style-type: none"> ○ All appropriate returns covering the engagements or consultants and contractors were provided to the relevant divisions ○ All consultancy engagement were appropriately authorised, noting the legal delegation limitations under the <i>Government Sector Finance Act 2018</i> and <i>Government Sector Employee Act 2013</i> ○ All related expenditure complies with relevant procurement policies, both internal policies and Procurement Board Directives.
RECORD KEEPING	<ul style="list-style-type: none"> ○ Manuals were in place for major systems and procedures, and these were regularly updated ○ All financial transactions were properly recorded in the accounting records, audit files and systems ○ Purchase orders were issued in accordance with legislative guidance
INTERNAL CONTROLS	<ul style="list-style-type: none"> ○ Internal controls were selected and developed to mitigate the risks associated with the preparation of financial information ○ Adequate internal controls operated in your business area with no significant breakdowns ○ Employee advances, including travel advances, were appropriately authorised and reconciled, with outstanding monies returned to the agency

Example – Basic Management Certification Checklist – Finance Focused Areas

	PLANNING
	<ul style="list-style-type: none"> ○ All relevant objectives relating to the preparation of financial information were identified and assigned appropriately ○ Any third party information required for the financial statements was received on time and appropriately certified ○ The business area managed business continuity in line with agency policies ○ There were sufficient staff with appropriate qualifications and expertise dedicated to the preparation of financial information ○ Staff with oversight of the preparation of financial information were sufficiently experienced
	RISK
	<ul style="list-style-type: none"> ○ Financial reporting objectives were sufficiently documented to enable the identification and assessment of risks ○ Effective risk management practices were implemented in relation to achieving financial reporting objectives ○ All identified risks were addressed or escalated appropriately to Senior Management ○ If any fraud or error events occurred, the details of evidence and actions have been provided to Senior Management, with advice on whether ICAC was informed
	FINANCIAL ASSETS
	<ul style="list-style-type: none"> ○ All bank accounts were reconciled at least monthly, with any unexpected items investigated and resolved ○ All cash floats were reconciled and verified throughout the year ○ Approval was obtained prior to opening new bank accounts ○ Invoices were raised for all recoverable debts based on written evidence ○ All receipts were correctly allocated against the appropriate debtors to reduce outstanding balances ○ Adequate provisions were made for doubtful debts and bad debts were written off where necessary, with an effective assessment and approval process in place ○ The ARC and senior management were provided with a summary of any bad debts ○ All expenditure commitments were advised to Corporate Finance for inclusion in account records ○ All operating lease commitments were inclusive of all fees covered by operating lease agreements ○ Any contingent assets and contingent liabilities were advised
	PHYSICAL ASSETS
	<ul style="list-style-type: none"> ○ All assets were accounted for, with the appropriate branch notified of any discrepancies ○ Finance officers were informed of any transfer or disposal of assets ○ There were no impediments or charges over the assets ○ Valuers were provided with suitable and consistent instructions about valuation assumptions
	ACCURALS
	<ul style="list-style-type: none"> ○ All relevant creditor and debtor accruals have been recognised ○ All goods received have been receipted and services delivered invoiced ○ All quantity and price mismatches were investigated and resolved within 30 days, with no accruals requiring adjustment having been observed since ○ Appropriate procedures were established for receiving goods and services

	<ul style="list-style-type: none"> ○ Any significant judgements and estimates of uncertainty were consistent with applicable accounting standards and NSW Treasury guidance, and were reviewed and endorsed by management prior to being applied by external experts
PERFORMANCE MONITORING	
	<ul style="list-style-type: none"> ○ Any deficiencies identified in internal controls were appropriately escalated ○ Financial information was subject to appropriate quality checks ○ All recommendations or matters raised by the Audit Office or internal audit reports were actioned and closed during the year, or have a plan in place to be resolved ○ There were processes to identify, respond to and monitor changes in financial reporting requirements, and any changes in the environment

Draft

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