

## TREASURER'S INSTRUCTION 28

### FINANCIAL MANAGEMENT COMPLIANCE PROGRAM

Reissued: 29 May 2014

Effective: 29 May 2014

#### Scope

28.1 This instruction applies to all public authorities.

#### Objective

28.2 To require each public authority to develop, implement, document and maintain a robust and transparent financial management compliance program.

#### Interpretation and Definitions

28.3 This instruction should be interpreted and applied in accordance with Treasurer's Instruction 1 *Interpretation and Application*.

28.4 For the purpose of this instruction "compliance program" means activities that when combined are intended to achieve compliance with financial management obligations/requirements. Australian Standard AS 3806:2006 *Compliance Programs* provides guidance in establishing an appropriate compliance program.

28.5 To assist with the interpretation and application of this instruction, the Department of Treasury and Finance has issued a *Financial Management Toolkit*, which contains guidance and checklists in relation to internal controls, compliance programs, financial reporting, compliance self-assessment and administrative restructures.

#### Instruction

##### Financial Management Compliance Program

28.6 The Chief Executive must:

28.6.1 develop, implement, document and maintain a robust and transparent financial management compliance program. The financial management compliance program will include an assessment of relevant policies, procedures, systems, internal controls, risk management, statutory and other financial reporting, and the adequacy of management reporting;

- 28.6.2 ensure responsibility for the financial management compliance program and its performance outcomes/operations is documented and assigned to appropriate senior officers;
- 28.6.3 ensure appropriate resources are allocated to develop, implement, maintain and improve the public authority's financial management compliance program;
- 28.6.4 ensure compliance with applicable financial management legislation including *Public Finance and Audit Act 1987*, *Public Corporations Act 1993*, *A New Tax System (Goods and Services Tax) Act 1999*, *Fringe Benefits Tax Assessment Act 1986*, *State Procurement Act 2004*; Treasurer's instructions, accounting policy statements and other financial management policies/requirements of the State including Department of Treasury and Finance Circulars and the cash alignment policy. The *Financial Management Toolkit* may be of assistance in identifying other applicable financial management policies/requirements of the State;
- 28.6.5 ensure that financial management compliance failures are dealt with appropriately;
- 28.6.6 address within a reasonable time or in a reasonable manner an irregularity or internal control/governance failure identified by the Auditor-General; and
- 28.6.7 implement appropriate arrangements to ensure he or she is informed on all relevant financial management compliance and governance matters.

#### Income

- 28.7 As part of the financial management compliance program, the Chief Executive must:
  - 28.7.1 ensure responsibility for financial management compliance relating to all income activities is documented and assigned to appropriate senior officers;
  - 28.7.2 ensure performance against contracts, service level agreements or equivalent are regularly monitored and reviewed, to ensure services are being provided, and income is received, in accordance with agreed arrangements;
  - 28.7.3 ensure that revenue is only collected for fees and charges that have been approved by the appropriate authority eg in accordance with regulations; and
  - 28.7.4 ensure that the de-recognition of, or adjustments to, amounts previously recognised (eg correcting journals, credit notes issued) and accounts receivable waived and/or written off are authorised in accordance with the established authorisations.

Expenditure

- 28.8 As part of the financial management compliance program, the Chief Executive must:
- 28.8.1 ensure responsibility for financial management compliance relating to procurement, expenditure and accounts payable activities is documented and assigned to appropriate senior officers;
  - 28.8.2 ensure all procurements are conducted in an ethical manner and in accordance with relevant policies and guidelines;
  - 28.8.3 ensure contractors'/suppliers' performance against orders, contracts, service level agreements (including services outsourced and PPP contracts) or equivalent are regularly monitored and reviewed to ensure services are being received, and payments are made, in accordance with agreed arrangements;
  - 28.8.4 ensure abatements are promptly applied in accordance with the relevant contract documentation where abatable contract performance failures occur. Public authorities must not delay the application of abatement or enter into extra-contractual arrangements in lieu of abatement (eg a negotiated settlement involving abatement being 'traded off' for other 'benefits'), unless agreed to by the Department of Treasury and Finance and the Crown Solicitor's Office. Public authorities must develop, document and implement contract management policies and procedures (including for PPP contracts);
  - 28.8.5 ensure that fees and charges can only be paid when the fee/charge schedule has been approved by the appropriate authority eg board member sitting fees approved by the Governor; and
  - 28.8.6 ensure that the de-recognition of, or adjustments to, amounts previously recognised (eg correcting journals for amounts in dispute, credit notes received) must be authorised in accordance with established authorisations.

Asset and Liability

- 28.9 As part of the financial management compliance program, the Chief Executive must:
- 28.9.1 ensure responsibility for financial management compliance relating to all asset and liability activities is documented and assigned to appropriate senior officers; and
  - 28.9.2 ensure contractors' performance against contracts, service level agreements or equivalent are regularly monitored and reviewed to ensure compliance with contract terms and conditions.

Budgeting and Reporting

28.10 As part of the financial management compliance program, the Chief Executive must:

28.10.1 ensure responsibility for budget management is documented and assigned to appropriate senior officers; and

28.10.2 establish and document policies, procedures and systems to ensure compliance with budgeting, monitoring and whole of government financial management reporting requirements issued by the Department of Treasury and Finance.

For queries contact:  
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The Department of Treasury and Finance has issued a *Financial Management Toolkit* which contains guidance and checklists in relation to internal controls, compliance programs, financial reporting, compliance self-assessment and administrative restructures.