

TREASURER'S INSTRUCTION 2

FINANCIAL MANAGEMENT

Reissued: 14 January 2022

Effective: 1 March 2022

Scope

- 2.1 This instruction applies to all public authorities and to the financial functions and responsibilities under the management control of the public authority. These include functions and responsibilities assigned to the management control of public authorities under an outsourcing agreement.

Certain financial management functions and responsibilities can be subject to an outsourced service arrangement, including an arrangement with Shared Services SA. Where this occurs, a Service Level Determination will define the responsibilities that have been agreed and allocated between the public authority and the service provider (Shared Services SA) for the key tasks, activities and controls associated with the outsourced financial management functions. Public authorities are to apply the requirements of this instruction to those allocated responsibilities agreed to be under the management of the public authority.

Objective

- 2.2 To specify certain procedures in relation to financial management, and to require each public authority to develop, implement, document and maintain policies, procedures, systems and internal controls to assist Chief Executives with their financial management responsibilities.

Interpretation and Definitions

- 2.3 This instruction should be interpreted and applied in accordance with Treasurer's Instruction 1 *Interpretation and Application*.
- 2.4 Additional guidance, forms and resources are available to finance officers from the Department of Treasury and Finance's extranet (dtfextra.sa.gov.au).

Instruction

Documentation

- 2.5 Each Chief Executive must ensure that the policies, procedures and systems required by this instruction are properly documented. Unless otherwise required by a Treasurer's instruction, legislation or other authority, documentation must be reviewed on a regular basis, revised where necessary and be readily available to all relevant officers of the authority.

Risk Management

- 2.6 The Chief Executive must establish and maintain effective policies, procedures

and systems for the identification, assessment, monitoring, management and annual review of financial and tax risks. The *Risk Management Policy Statement* issued by the Premier and the Treasurer in November 2009 and the Australian/New Zealand Standard AS/NZS ISO 3100:2009 *Risk Management Principles and Guidelines* provide guidance in establishing an appropriate financial and tax risk management regime.

- 2.6.1 The Commissioner for Public Sector Employment must issue and review on an annual basis, an all-purpose policy with respect to the prevention, detection and control of fraud, corruption and other criminal conduct, maladministration and misconduct in connection with the activities of public authorities.
- 2.6.2 Chief Executives must either adopt any policy issued by the Commissioner for Public Sector Employment (via 2.6.1) or if they choose to issue an agency-specific policy with respect to the prevention, detection and control of fraud, corruption and other criminal conduct, maladministration and misconduct in connection with the activities of the public authority, any such policy must be at least equivalent to the policy issued by the Commissioner for Public Sector Employment. Any agency-specific policy must be reviewed on at least an annual basis, taking account of any review of the policy issued by the Commissioner for Public Sector Employment.

The Australian Standard AS 8001:2008 *Fraud and Corruption Control* may be of assistance in the development of agency-specific policies and/or protocols and procedures.

Resource Management

- 2.7 The Chief Executive must ensure that authorisations relating to financial management, (other than those financial authorisations that are separately dealt with in Treasurer's Instruction 8 *Financial Authorisations*), are established and documented and are reviewed at least on an annual basis.

Income Management

- 2.8 The Chief Executive must:
- 2.8.1 establish authorisations that empower authorised persons to approve income recognition and income de-recognition;
 - 2.8.2 ensure that all income is recognised and all invoices are raised promptly following the provision of goods and/or services;
 - 2.8.3 ensure that reconciliations between the general and relevant subsidiary ledgers (eg debtors ledger/accounts receivable ledger) are performed on a regular and timely basis;
 - 2.8.4 ensure that all receipts are promptly recognised; allocated against the correct accounts receivable (where applicable); and in the case of cash and cheques, secured appropriately until banked; and banked promptly;
 - 2.8.5 ensure at least an annual review of the level of fees and charges levied by the public authority;
 - 2.8.6 ensure that the recoverability of accounts receivable is reviewed on a regular basis and appropriate action is taken;
 - 2.8.7 ensure income collection methods are efficient, through regular review including consideration of the use of electronic collection

methods; and

2.8.8 ensure documentation that substantiates the existence or occurrence; completeness; valuation or allocation; passing of control; rights and/or obligations relating to income activities is maintained.

2.9 The Chief Executive must develop, document and maintain policies, procedures, systems and internal controls relating to income transaction processing and the management of accounts receivable balances.

Expenditure Management

2.10 The Chief Executive must:

2.10.1 establish authorisations that empower authorised persons to approve accounts payable de-recognition;

2.10.2 ensure that all expenditure is recognised and all valid invoices are processed accurately, efficiently and in a timely manner following the provision of goods received and services rendered;

2.10.3 ensure that reconciliations between the general and relevant subsidiary ledgers (eg creditors ledger/accounts payable ledger) are performed on a regular and timely basis;

2.10.4 ensure that all payments are promptly recorded, allocated against the correct accounts payable (where applicable) and issued in a secure manner;

2.10.5 ensure the level of fees/charges payable for services rendered are reviewed at least on an annual basis;

2.10.6 ensure payment methods are efficient, through regular review including consideration of the use of purchase cards and electronic funds transfers; and

2.10.7 ensure documentation that substantiates the existence or occurrence; completeness; valuation or allocation; passing of control; rights and/or obligations relating to expenditure activities is maintained.

2.11 The Chief Executive must develop, document and maintain policies, procedures, systems and internal controls relating to expenditure transaction processing and the management of accounts payable balances.

Asset and Liability Management

2.12 The Chief Executive must:

2.12.1 establish authorisations that empower authorised persons to approve asset and liability recognition and de-recognition (eg asset disposal/write off);

2.12.2 ensure all assets are safeguarded. Physical controls must be established and maintained over access to and use of assets;

2.12.3 ensure that reconciliations between the general and relevant subsidiary ledgers (eg asset register) are performed on a regular and timely basis; and

2.12.4 ensure documentation that substantiates the existence or occurrence; completeness; valuation or allocation; control; rights and/or

obligations relating to assets and liabilities is maintained.

2.13 The Chief Executive must ensure the public authority develops, documents and maintains a register of individual instances where public money (in excess of \$1,000) or public property (with a value in excess of \$10,000) has been lost or stolen, or irregularities have occurred. The Chief Executive must:

- (a) ensure the individual instances are reviewed;
- (b) review the register at least on an annual basis; and
- (c) review any proposed action plan.

“public money” means money in the custody or under the control of the public authority; or money in the custody or under the control of personnel on behalf of the public authority; including money that is held for ‘administered’ purposes.

“public property” means property in the custody or under the control of the public authority; or property in the custody or under the control of personnel on behalf of the public authority; including such property that is held for ‘administered’ purposes.

2.14 The Chief Executive must ensure the public authority maintains a register showing all unclaimed money exceeding \$10 which have not been claimed for 6 years or upwards. The register will include:

- (a) the name of the owner as per the authority’s records;
- (b) the total amount due to the owner;
- (c) a description of the unclaimed money; and
- (d) date of the last claim.

“unclaimed money” means any sum of money in the possession of a public authority for which no claim has been made against the authority by the owner, and includes unclaimed salaries and wages and stopped or stale cheques.

A public authority that is to be abolished, amalgamated with another public authority or restructured in such a way that the identity of the public authority will be substantially altered, will as soon as practicable, seek a direction from the Treasurer as to the disposition of any unclaimed moneys held by the public authority at the date of abolition, amalgamation or restructure.

2.15 The Chief Executive must develop, document and maintain policies, procedures, systems and internal controls relating to asset and liability transaction processing and the management of asset and liability account balances. Assets and liabilities to be addressed include tangible assets, intangible assets, financial assets and liabilities, provisions, contingencies, guarantees and indemnities.

Authorisations

2.16 Instructions 2.17 to 2.23 apply in relation to an authorisation under instruction 5 of *Treasurer’s Instructions 17 – Public Sector Initiatives*.

2.17 An authorisation may be with respect to:

- (a) a specified employee; or
- (b) an employee for the time being holding or acting in a specified position.

2.18. An authorisation:

- (a) must be in writing; and
- (b) must specify the employee or position to which the authorisation relates; and
- (c) may operate on the basis that a person who holds an authorisation may, in turn, authorise another employee (or other employees) to act as an authorised person (or persons), subject to any limitations or conditions specified by the person or entity giving the authorisation; and
- (d) must specify a monetary limit for acting under the authorisation; and
- (e) may specify any other terms or conditions, or limitations, that are to apply in relation to the authorisation.

2.19. A monetary limit under instruction 2.18(d) must not exceed the amount specified in the relevant Treasurer's Instruction.

2.20. An authorisation given to a specified person ceases by force of this provision if the person ceases to be an employee.

2.21. The Chief Executive or governing authority of the relevant public authority must ensure that an authorisation is revoked or varied if the relevant employee materially changes duties or, in the case of a position, if there is a material change in the nature of the duties assigned to that particular position.

2.22. The Chief Executive or governing authority of a public authority must ensure that a register is maintained that sets out—

- (a) the employees, or the holders of specified positions, who are authorised to act under the relevant Treasurer's instruction; and
- (b) particulars of the limits, and any conditions, that apply in relation to each such employee or position.

2.23. A Chief Executive or governing authority that has given authorisations to which this instruction applies must review those authorisations at least annually.

TI Breach Reporting

2.24. The Chief Executive of each public authority must ensure that a report on compliance with Treasurer's Instructions is prepared. The report must:

- (a) be provided to the Department of Treasury and Finance by 31 August each year;
- (b) be in the form determined by the DTF CE or their delegate; and
- (c) include details about all breaches for the financial year just ended.