Government of **Western Australia**
Department of **Treasury**

Financial Management Manual Guide

September 2024

Acknowledgement of Country

This report was prepared by the Department of Treasury (WA Treasury) on the traditional Country of the Wadjuk people of the Noongar Nation.

WA Treasury respectfully acknowledges the Traditional Custodians of Country throughout Western Australia and their continuing connection to Country, Culture and Community.

We pay our respects to all members of Western Australia's Aboriginal communities and their cultures and to Elders past and present.

We acknowledge and pay tribute to the strength and stewardship of Aboriginal people in sustaining the world's oldest living culture and value the contribution Aboriginal people make to Western Australia's communities and economy.

We recognise our responsibility as an organisation to work with Aboriginal people, families, communities, and organisations to make a difference and to deliver improved economic, social and cultural outcomes for Aboriginal people.

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Foreword

All Western Australian government agencies are required to comply with the *Financial Management Act 2006 (FMA),* and in accordance with section 78 of the FMA all issued Treasurer's Instructions (TI). TI 4 *Risk Management and Internal Control* Requirement 1 *Financial Management Manuals*, mandates the requirement that the accountable authority, chief finance officer (CFO) and senior management must ensure the agency has a fit for purpose Financial Management Manual (FMM).

The FMM Guide is designed to assist agencies with developing and maintaining a FMM that is consistent with the Western Australian Financial Management Framework. Its purpose is to promote sound practices, policies and procedures in matters relating to financial management that are applied within an agency. It provides a framework for communicating and formalising changes in financial processes, ensuring alignment with regulatory requirements and organisational objectives.

The responsibility for developing and maintaining the FMM rests with the accountable authority, as head of the agency, in collaboration with the CFO. Together, they should tailor its contents to suit the unique operational context of the government agency, thereby enhancing its practical relevance to staff members.

Within this document, agencies will find guidance on customising the level of detail to match the complexity and scope of their agency's operations. Moreover, the guide offers strategies for integrating subsidiary financial management information system documentation effectively, ensuring comprehensive coverage of essential procedures.

Furthermore, it underscores the importance of implementing robust controls to safeguard the accuracy and currency of the guide, whether in physical or digital format, thereby ensuring accessibility to all stakeholders within the agency.

By adhering to the principles outlined in this guide, government agencies can minimise disruptions, promote continuity, and uphold public trust through exemplary financial management practices.

Review, Monitoring and Certification

Certification and review of the FMM are critical components of ensuring its accuracy, completeness, and compliance with relevant legislation and TIs. This integrated process involves the accountable authority, typically the agency director general or board, along with the CFO or equivalent, and other relevant stakeholders. The following section outlines the procedures for certification, emphasises the importance of regular review and monitoring, and the accountability of the agency's executive team.

Responsibility of the Accountable Authority

- The accountable authority must annually certify the FMM declaring the agency has a 'fit for purpose' FMM in place that is consistent with the stated requirements.

- Certification involves a formal acknowledgment that the manual is consistent with the Financial Management Framework and reflects the approved practices in place at the agency.

Review and Approval Process

- Prior to certification, the manual undergoes a comprehensive review led by the agency's CFO in collaboration with relevant stakeholders.

- The review process should involve an assessment of each section of the FMM, focusing on accuracy, clarity, and compliance with applicable regulations.

- Feedback from frontline staff, internal auditors, and other relevant external stakeholders may be solicited to identify areas for improvement or clarification.

- Proposed changes or updates should be documented and tracked throughout the review process, including rationales for modifications and any supporting documentation.

- The CFO, in coordination with the accountable authority, conducts a thorough review to verify compliance with regulatory requirements and the effectiveness of internal controls.

Certification Procedure

- Upon completion of the review process, the accountable authority formally certifies the manual by signing a designated certification statement outlined in Treasurer's Guidance (TG) 13 Treasury Forms and Templates.

- The certification statement affirms that the manual has been reviewed, approved, and found to be accurate, complete, and compliant with applicable regulations and TIs.

- Certification of FMMs are promptly submitted to Treasury on an annual basis, ensuring it is prior to the end of the financial year.

Timely Monitoring

- The CFO, in conjunction with the executive team, establishes mechanisms for ongoing monitoring and evaluation to ensure the manual remains current and effective.

- Following the completion of the review process, ongoing monitoring mechanisms should be established to track the effectiveness of the manual's implementation and identify any emerging issues or areas for further refinement.

- Regular feedback loops and performance metrics can help assess the manual's impact on operational efficiency, compliance, and financial outcomes over time.

Continuous Improvement

- Certification represents a commitment to continuous improvement in financial management practices.

- The executive team periodically reviews the manual to incorporate changes in legislation, address emerging risks, and enhance efficiency.

Communication and Training

- Upon finalisation of the updated manual, the CFO should ensure widespread communication of the changes to all staff within the agency.

- Training sessions or workshops may be conducted to familiarise staff with any new or revised policies and procedures outlined in the manual, ensuring consistent understanding and adherence.

- The FMM should be accessible to all staff within the agency.

Documentation and Record-Keeping

- All revisions or updates to the FMM should be documented in a formal change log or revision history, detailing the nature of the change, the date of implementation, and the individuals involved.

By integrating certification and review processes, government agencies can demonstrate their commitment to transparency, accountability, and effective stewardship of public funds. This ensures that the FMM remains a valuable resource for guiding financial decision-making and promoting compliance with regulatory requirements.

The effective use of the FMM will be subject to OAG review – non compliance may lead to adverse findings.

Introduction

Purpose and Scope

A best practice approach to defining the purpose and scope of a FMM for government agencies involves crafting a comprehensive section outlining these aspects. The following is an example of how a section could be structured:

Purpose

The purpose section clarifies the overarching objectives and intended outcomes of the FMM. It serves as a guiding principle for its development and utilisation. Key components of this section may include:

- **Compliance with Legal Framework**: Ensuring adherence to relevant legislation, such as the FMA and associated regulations, to uphold legal requirements governing financial management in government agencies.

- **Promotion of Sound Practices**: Facilitating the adoption of best practices, procedures, and policies to promote transparency, accountability, and efficiency in financial management processes.

- **Support for Decision-Making**: Providing guidance and resources to aid decision-makers in effectively managing financial resources, mitigating risks, and achieving organisational objectives.

Scope

The scope section defines the boundaries and coverage of the FMM, outlining the specific areas and topics it addresses. It helps users understand what aspects of financial management are included and what falls outside its purview. Key elements to consider in this section are:

- **Coverage of Policies and Principles**: Detailing the policies, principles, and standards governing financial management and external financial reporting within the agency.

- **Procedural Guidance**: Describing the procedures and practices to be followed by officers engaged in financial activities, ensuring consistency and compliance across the agency.

- **Risk Management Considerations**: Incorporating risk management policies, procedures, and tools relevant to the agency's operations to identify, assess, and mitigate financial risks effectively.

- **Accountability and Delegations**: Outlining mechanisms for ensuring proper control and maintenance of accountability and delegations, facilitating transparent decision-making processes.

- **Documentation of Accounting Policies**: Documenting the accounting policies and procedures adopted by the department, providing a reference for consistent financial reporting and compliance.

By clearly defining the purpose and scope of the FMM, government agencies can establish a solid foundation for developing a resource that effectively supports financial management practices and contributes to organisational success.

Legislation

Enabling Legislation

Enabling legislation should be documented in an agency's FMM, as to clearly identify how the agency or department came to establishment.

Administered Legislation

Administered legislation should look to document all relevant acts and legislative instruments that the agency or department is administering.

Other Key Legislation

Other key legislation should look to document written laws that are relevant and need to be complied with in the performance of the agency's function.

Organisational Structure

The organisational structure section of the FMM outlines the hierarchy, roles, and responsibilities within the agency's financial management framework. Inclusion of the following points will assist with clarity, efficiency, and accountability in financial operations.

Organisational Hierarchy

- **Overview:** Begin by providing an overview of the agency's organisational hierarchy, including divisions, departments, and reporting lines relevant to financial management.

- **Visual Representation:** Consider including an organisational chart to visually represent the hierarchical structure, facilitating easy understanding of reporting relationships and roles.

- **Roles and Responsibilities:** Define the roles and responsibilities of key financial personnel, such as the accountable authority, CFO, finance managers, and other relevant positions. Clearly outline their duties related to budgeting, accounting, procurement, and financial reporting.

External Controls

The section of external controls should provide a list of parties that may have exercised control over the financial administration of the agency. This list should include what legislative or other authority they exhibit, whether that be other legislative requirements and the effect it will have on the financial management of the agency. Examples could include:

- Government/Cabinet

- Public Sector Commission

- Treasurer

- Auditor General

Authorisations

The section on authorisations within a FMM is pivotal for ensuring transparency, accountability, and compliance with statutory requirements within government agencies. By establishing clear guidelines and procedures for authorisations, agencies can maintain the integrity of their financial processes and mitigate risks effectively.

- **Legal Compliance**: Ensure that authorisations in FMMs align with relevant legislation, such as the FMA, to maintain legal compliance and adherence to statutory requirements.

- **Appointment of Accountable Authority**: Clearly outline the appointment of the accountable authority, typically the head of the agency, as mandated by the FMA. Specify their responsibilities in overseeing financial management operations and ensuring compliance with laws and regulations.

- **Designation of CFO**: Define the role of the CFO and their responsibilities in financial reporting, advising on financial systems' effectiveness, assessing financial risks, and enhancing financial management skills within the agency.

- **Incurring and Certifying Officers**: Detail the roles and responsibilities of incurring and certifying officers in the authorisation process. Ensure adherence to TIs and internal procedures for verifying payment conditions, legality, valid claims, accuracy, and compliance.

- **Electronic Authorisation Procedures**: If applicable, establish electronic authorisation procedures for payments, ensuring compliance with TI requirements through secure systems, role-based access controls, and segregation of duties.

- **Manual Authorisation Procedures**: Provide guidelines for manual authorisation processes, including physical signatures or email authorisation with signature blocks, to ensure accountability, transparency, and compliance with internal controls.

- **Documentation Requirements**: Specify documentation requirements for authorisations, including records of appointments, approvals, and certifications, to maintain audit trails and support accountability.

- **Training and Compliance**: Implement training programs to ensure officers understand their authorisation responsibilities and comply with legal and procedural requirements outlined in the FMM.

By following these best practices, government agencies can establish robust authorisation processes within their FMMs, ensuring legal compliance, accountability, and effective financial governance.

Accounting Standards

Accounting standards form the foundation of FMMs for government agencies, guiding financial reporting and decision-making processes. This guide outlines best practices for adopting accounting standards in FMMs.

Integration of Australian Accounting Standards

- Incorporate relevant Australian Accounting Standards (AASBs) issued by the AASB into the FMM to ensure consistency with external financial reporting practices.

- Align accounting policies and procedures with AASBs to maintain compliance with statutory requirements and promote transparency.

Treasurer's Instructions Compliance

- Ensure that accounting standards adopted in the FMM comply with any modifications specified by TIs relevant to government agencies.

- Provide clear guidance on the application of accounting standards modifications in financial reporting processes to ensure consistency and accuracy.

Documentation

- Document adopted accounting standards and modifications in the FMM, providing easy access to relevant policies and procedures for reference.

- Maintain updated documentation to reflect changes in accounting standards and modifications, ensuring alignment with current regulatory requirements.

By following these best practices, government agencies can establish robust accounting standards policies in external financial reporting and FMMs, promoting consistency, transparency, and compliance with regulatory requirements.

Risk Management

Effective risk management is integral to government agencies' operations, ensuring the protection of assets, reputation, and the achievement of objectives. The following section outlines how risk management policies should be implemented and documented in an agency's FMM.

Integration

The FMM should document the embedded risk management into its culture and operations, recognising all staff members as active participants in identifying and managing risks.

Designate the accountable authority as responsible for risk management, supported by an independent Audit and Risk Committee (ARC) to oversee the agency's risk management framework.

Risk Management Framework

Develop a comprehensive Risk Management Framework in alignment with AS ISO 31000:2018 and TI 4 *Risk Management and Internal Control* Requirement 2 *Risk Management*, outlining policies, processes, and methodologies for identifying, assessing, and managing risks. This can be documented in a separate policy and referenced within the FMM.

Provide clear guidance and procedures for staff members on their roles and responsibilities in risk identification, assessment, and management processes.

Documentation and Communication

Document risk management policies, procedures, and frameworks in the FMM to ensure accessibility and consistency across the agency.

Communicate risk management policies and procedures to all staff members, providing training and awareness programs to enhance understanding and adoption.

Risk Registers

Maintain centralised risk registers to capture and monitor risks across the agency, ensuring regular reviews by the ARC to address emerging risks and update risk mitigation strategies.

Compliance and Disciplinary Measures

Ensure adherence to risk management policies and procedures outlined in the Code of Conduct and Fraud and Corruption Control Plan, with disciplinary actions for misconduct and inappropriate behaviour.

Insurance

Insurance plays a crucial role in protecting government agencies against unforeseen risks and liabilities. This section outlines best practices for meeting insurance requirements in government agencies and how they should be documented in an agency's FMM.

Compliance with Treasurer's Instructions

An agency's FMM should document how they adhere to TI 4 *Risk Management and Internal Control* Requirement 4 on insurance requirements, ensuring appropriate levels of insurance cover for all insurable risks of the agency.

Agencies must participate in the RiskCover Fund, unless exempted by the Treasurer, to access cost-effective financial protection and support for risk management practices.

Coverage and Exclusions

An agency's FMM should incorporate an understanding of the coverage provided by the RiskCover Fund, including workers' compensation, property, liability, cyber risk, motor vehicles, and miscellaneous coverages tailored to agency needs.

Be aware of exclusions, such as asset obsolescence, operational inefficiencies, pollution, confiscation by government, and punitive damages, ensuring appropriate risk management measures are in place for risks that are not covered.

Premium Calculation and Renewal

List details relevant for the RiskCover Fund to accurately calculate annual premiums. Premiums will vary based on agency requirements and risk profiles.

Include the process for reviewing insurance arrangements prior to policy renewal, seeking input from relevant stakeholders to ensure adequate coverage and compliance with insurance contracts. Manage risk to reduce premiums.

By following these best practices, government agencies can effectively manage risks, protect assets, and ensure compliance with insurance requirements, enhancing their overall financial resilience and governance framework.

Treasurer's Instruction Exemptions

Section 78(1) of the FMA states that the Treasurer may issue, amend or revoke instructions concerning the principles, practices and procedures to be complied with in the financial management of the State. As per TI 1 *Foundation* Requirement 2 *Exemptions*, an accountable authority may seek an exemption from the Treasurer regarding the provisions of one or more TI. Should an agency exemption be granted, then these should be listed in the agency's FMM to ensure that they are applied consistently.

Revenue and Receipts

Effective revenue management requires robust internal controls and processes to ensure transparency, accuracy, and compliance with governmental policies. This guide provides points for consideration when developing, implementing, and reviewing internal controls and processes for revenue management within a government agency's FMM.

Procedure	Internal Control Considerations
Revenue Sources and Legislative Compliance	• Identify and classify revenue sources comprehensively, encompassing user charges, fees, grants, and taxes. • Ensure strict compliance with legislative and regulatory frameworks governing revenue generation, collection, and reporting.
Review of Fees and Charges	• Conduct regular, systematic reviews of fees and charges to align with agency objectives and cost recovery principles. • Document clear rationale and justifications for fee adjustments, especially for significant revisions.
Receipting of Money	• Institute structured procedures for the orderly collection of monies by authorised personnel, emphasising accuracy and timeliness. • Issue receipts promptly to provide tangible evidence of payments and safeguard both payer and agency interests. • Implement robust recording mechanisms for accurate reconciliation and reporting.
Segregation of Duties	• Implement a stringent segregation of duties framework to mitigate the risk of fraud and errors. • Assign distinct responsibilities for mail handling, cheque recording, and banking to separate individuals. • Conduct periodic reconciliations by personnel independent of the collection process to ensure integrity.
Banking Protocols	• Adhere strictly to established guidelines for timely and regular banking, minimising exposure to misappropriation risks. • Comply with prescribed banking frequency and documentation standards outlined in the relevant TI.
Debt Management and Collection	• Develop comprehensive procedures for efficient debt management, including proactive follow-up on outstanding invoices and disputes resolution. • Escalate unresolved debts through defined channels, involving senior management oversight when necessary. • Employ debt collection agents judiciously for irrecoverable debts, adhering strictly to remittance requirements and approval protocols, as per TI 6 Requirement 1 Collection *Agents.*

Procedure	Internal Control Considerations
Write-off	• Establish transparent procedures for resolving disputes with debtors, prioritising fair treatment and avoidance of undue harassment, as per TG 4 Chapter 9 Write-Offs. • Document clear criteria for bad debt write-offs, ensuring alignment with legislative stipulations and adherence to authorisation limits. • Maintain a meticulously updated internal register of write-offs to facilitate transparency and meet audit trail requirements.
Control Environment	• Cultivate a robust control environment by harnessing inherent controls in electronic systems and automated processes. • Implement additional non-inherent controls, such as robust segregation of duties and regular reconciliations, to bolster control effectiveness and ensure compliance.

A well-defined framework of internal control procedures is essential for government agencies to effectively manage revenue and receipts. By adhering to the best practices outlined for revenue and receipts, agencies can mitigate risks, ensure compliance with regulatory requirements, and uphold financial integrity and accountability.

Expenditure and Payments

Effective management of expenditure and payments is crucial for government agencies to ensure transparency, accountability, and financial sustainability. This document provides guidance on establishing robust internal controls for managing expenditure and payments within a government agency's FMM.

Procedure	Internal Control Considerations
Policy and Compliance	• Develop and implement comprehensive policies and procedures governing expenditure and payments in alignment with relevant legislative requirements, accounting standards, and organisational goals, as per TI 5 Requirement 1 *Authorisation of Payments.* • Ensure staff are trained on policy and procedural requirements to promote compliance and consistency in expenditure and payment processes.
Segregation of Duties	• Implement clear segregation of duties to prevent conflicts of interest and reduce the risk of fraud. Responsibilities should be divided among different individuals or departments involved in initiating, approving, processing, and recording transactions.
Authorisation and Approval	• Establish clear authorisation levels and delegation frameworks, as approved by the accountable authority, for approving expenditure and payments. Ensure that all transactions are authorised by individuals with appropriate authority and accountability. • Require documented approval for all expenditure and payment transactions, including purchase orders, invoices, and payment vouchers.
Procurement Processes	• Adhere to established procurement policies and procedures for acquiring goods and services. Ensure that procurement activities are conducted in a transparent, competitive, and cost-effective manner. • Maintain accurate records of procurement transactions, including contracts, purchase orders, and supplier information.
Purchase Orders	• Ensure appropriate controls are in place over the authorisation and issuance of purchase orders • Ensure procedures reflect that purchase orders are correctly prepared and approved by officers with appropriate delegation. • Ensure purchases that do not require purchases orders are listed within the FMM, along with approval from the agency's internal audit committee i.e. low risks transactions.
Invoice Processing	• Develop efficient processes for receiving, reviewing, and processing invoices. Verify the accuracy and legitimacy of invoices before approval for payment to prevent errors and unauthorised expenditures. • Implement controls to monitor and track unpaid invoices (accounts payable) to ensure timely settlement and avoid late payment penalties.

Procedure	Internal Control Considerations
Payment Controls	• Utilise secure payment methods and systems to safeguard against unauthorised or fraudulent payments. Implement dual authorisation and verification procedures for all payment transactions. • Regularly reconcile payment records with bank statements and financial reports to detect discrepancies and ensure accuracy in financial records.
Monitoring and Reporting	• Establish mechanisms for monitoring expenditure trends, identifying anomalies, and conducting periodic reviews of expenditure and payment processes. • Generate timely and accurate financial reports to facilitate informed decision-making and accountability to stakeholders.
Audit and Compliance Review	• Conduct regular internal audits and compliance reviews of expenditure and payment processes to assess adherence to policies, identify control weaknesses, and implement corrective actions. • Cooperate with external auditors and regulatory authorities to facilitate audits and ensure compliance with legal and regulatory requirements.

By implementing the above best practices, government agencies can enhance their internal controls for managing expenditure and payments, mitigate risks, and ensure the prudent and accountable use of public funds. Continuous monitoring, review, and improvement of expenditure and payment processes are essential for maintaining financial integrity and achieving organisational objectives.

Payroll

Effective internal controls are essential for ensuring the integrity, accuracy, and security of human resources (HR) and payroll processes within government agencies. This guide and TG 11 Payroll outlines key principles and recommendations for implementing robust internal controls in HR and payroll functions to mitigate risks, ensure compliance with regulations, and safeguard agency assets.

Procedure	Internal Control Considerations
Segregation of Duties	• Separate responsibilities for HR and payroll functions to prevent conflicts of interest and reduce the risk of errors or fraud. • Assign distinct roles for personnel actions (e.g. hiring, termination, promotions) and payroll processing (e.g. data entry, approval, disbursement).
Delegation of Authority	• Establish clear delegation of authority policies outlining who has the authority to initiate, approve, and review HR and payroll transactions. • Ensure delegation of authority aligns with organisational hierarchies and is periodically reviewed and updated.
Documentation and Record-keeping	• Maintain comprehensive and accurate records of all HR and payroll transactions, including personnel files, employment contracts, timesheets, and payroll registers. • Implement standardised document retention policies in accordance with legal and regulatory requirements.
Personnel Screening and Recruitment	• Implement robust recruitment and screening procedures to ensure that appointments are based on merit, qualifications, and suitability for the position. • Conduct background checks, reference verifications, and eligibility assessments in accordance with agency policies and relevant legislation.
Training and Awareness	• Provide ongoing training and professional development opportunities for HR and payroll staff to enhance their knowledge of relevant regulations, policies, and procedures. • Raise awareness among employees about their rights and responsibilities related to HR and payroll matters through regular communication and training sessions.
Compliance Monitoring and Reporting	• Establish mechanisms for monitoring compliance with HR and payroll policies, procedures, and regulations. • Conduct regular audits and reviews of HR and payroll processes to identify potential risks, control weaknesses, and determine areas for improvement. • Report compliance issues, discrepancies, and findings to management and relevant oversight bodies in a timely manner. • Monitor HR/payroll costs against approved Budget/salaries expense limit. Regularly review and report structure FTE cost against approved funding.
IT Systems and Security	• Implement robust IT systems and controls to safeguard HR and payroll data from unauthorised access, manipulation, or disclosure.

Procedure	Internal Control Considerations
	• Restrict access to sensitive HR and payroll information to authorised personnel only, with appropriate user permissions and encryption measures in place.
Payroll Processing Controls	• Implement controls to ensure accuracy and completeness of payroll processing, including validation checks, reconciliation procedures, and review mechanisms. • Verify payroll calculations, deductions, and allowances against relevant documentation and authorisation levels before disbursing payments.
Continuity and Contingency Planning	• Develop continuity and contingency plans to ensure uninterrupted HR and payroll operations in the event of disruptions, emergencies, or system failures. • Maintain backup systems, alternative communication channels, and contingency staffing arrangements to mitigate risks and minimise downtime.
Stakeholder Engagement and Feedback	• Foster open communication and collaboration with stakeholders, including employees, management, auditors, and regulatory agencies. • Encourage feedback, suggestions, and input from stakeholders to improve HR and payroll processes, address concerns, and enhance organisational performance.

Implementing effective internal controls in HR and payroll functions is critical for maintaining transparency, accountability, and efficiency within government agencies. By adhering to the principles outlined in this guide, agencies can mitigate risks, protect assets, and ensure compliance with regulations while promoting trust and confidence amongst employees and stakeholders. Regular review and refinement of internal control mechanisms are essential to adapt to changing circumstances and emerging threats in the dynamic environment of HR and payroll management.

Financial Accounting and Reporting

Effective financial accounting and reporting are essential pillars of sound financial management within government agencies. These processes ensure the accurate recording, analysis, and communication of financial information, enabling informed decision-making, regulatory compliance, and accountability to stakeholders. In this section, we outline best practices for financial accounting and reporting to help government agencies maintain integrity, transparency, and reliability in their financial operations. By following these guidelines and TG 8 Financial Accounting and Reporting and TG 9 Financial Statements, agencies can strengthen their financial management practices and enhance trust and confidence among stakeholders.

Procedure	Internal Control Considerations
Introduction to Financial Accounting and Reporting	• Financial accounting and reporting are essential components of effective financial management within government agencies. • Accurate and transparent financial records facilitate informed decision-making, ensure compliance with regulatory requirements, and enhance accountability to stakeholders.
Adherence to Regulatory Frameworks	• Ensure compliance with relevant regulatory frameworks, including the FMA and TIs, governing financial accounting and reporting practices. • Stay updated on changes to accounting standards and regulatory requirements issued by relevant authorities.
Segregation of Duties	• Clearly define roles and responsibilities within the financial accounting and reporting process to ensure adequate segregation of duties. • Specify the responsibilities of different teams or individuals involved in financial transactions, reconciliation, and reporting. • Establish controls to prevent conflicts of interest and ensure accountability in financial operations.
Utilisation of Financial Management Information Systems (FMIS)	• Ensure the use of appropriate Financial Management Information Systems (FMIS) to capture and process financial transactions accurately. • Define responsibilities for maintaining and updating the FMIS, including data entry, validation, and reporting functions. • Establish controls to safeguard the integrity and confidentiality of financial data within the FMIS.
Chart of Accounts (CoA) Management	• Develop and maintain a comprehensive Chart of Accounts (CoA) that accurately reflects the agency's financial structure and operations. • Define the structure and coding system of the CoA, including segments for business units, cost centres, natural accounts, funds, projects, and activities. • Provide guidelines on the proper use and coding of accounts within the CoA to ensure consistency and accuracy in financial recording.
Controlled vs. Administered Items Classification	• Differentiate between controlled items (assets, liabilities, revenues, and expenses directly controlled by the agency) and administered items (assets, liabilities, revenues, and expenses managed on behalf of the government).

Procedure	Internal Control Considerations
	• Establish procedures for the proper accounting and reporting of controlled and administered items, including disclosure requirements in financial statements.
General Ledger Management and Period End Close	• Outline procedures for the management and reconciliation of the General Ledger, including period-end close processes. • Define controls for posting transactions to the General Ledger from subsidiary ledgers, external systems, and interfaced journals. • Specify approval processes for journal entries and ensure documentation of supporting evidence for all transactions.
Financial Reconciliations	• Establish protocols for conducting regular reconciliations of balance sheet accounts, including bank accounts, receivables, payables, and clearing accounts. • Define responsibilities for performing reconciliations and documenting any discrepancies or variances identified. • Ensure that reconciliations are conducted in accordance with accounting standards and regulatory requirements.
Financial Reporting Requirements	• Outline the statutory requirements for financial reporting, including compliance with accounting standards, legislation, and TIs. • Specify the format and content of financial statements, including Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows. • Provide guidelines for the preparation of annual reports, including the disclosure of key performance indicators, financial statements, and other mandated information.
Management Reporting and Decision Support	• Define procedures for preparing and distributing management reports to relevant stakeholders within the agency. • Specify the content and format of management reports, including budget versus actual analysis, key performance indicators, and financial outlook. • Establish mechanisms for reviewing and discussing management reports at regular intervals to inform decision-making and performance monitoring.
Business Unit and Cost Centre Segmentation	• Define business units and cost centres within the organisation's financial structure to facilitate budgeting, reporting, and performance analysis (link to OBM services and KPIs). • Specify the criteria for allocating expenses and revenues to specific business units and cost centres, ensuring accuracy and accountability. • Provide guidelines for monitoring and reviewing budget variances at the business unit and cost centre levels.
Approval Process for Financial Transactions	• Establish clear procedures for approving financial transactions, including purchases, payments, journal entries, and budget allocations. • Define the authority levels required for approving transactions based on their magnitude and impact on the organisation's financial position. • Ensure that all approvals are documented and maintained in accordance with audit and compliance requirements.
Financial Controls and Compliance	• Implement internal controls to mitigate financial risks and ensure compliance with relevant laws, regulations, and accounting standards. • Conduct periodic reviews and audits of financial processes and controls to identify areas for improvement and address any deficiencies. • Provide training and support to staff members involved in financial operations to enhance their understanding of controls and compliance requirements.

Procedure	Internal Control Considerations
Continuous Improvement and Monitoring	• Establish mechanisms for monitoring and evaluating the effectiveness of financial management policies and procedures. • Regularly review and update policies to reflect changes in accounting standards, regulations, and organisational requirements. • Foster a culture of continuous improvement by soliciting feedback from stakeholders and promoting innovation in financial management practices.
Audit	• Collaborate closely with internal and external auditors during audits to facilitate the audit process and address audit findings promptly. • Maintain open communication channels with audit teams to address queries, provide requested documentation, and implement audit recommendations. • Establish a process to resolve audit findings in a timely manner, that includes a detailed action plan, ongoing monitoring and reporting of progress to the Executive and Audit Committee.
Documentation and Recordkeeping	• Maintain comprehensive documentation of financial accounting policies, procedures, and transactions to support audit trails and ensure accountability. • Establish secure recordkeeping practices to safeguard financial records and ensure compliance with record retention requirements.

By adhering to these best practices, government agencies can enhance the integrity, reliability, and transparency of their financial accounting and reporting processes, thereby fostering trust and confidence among stakeholders.

Taxes

Taxation requirements for government agencies are crucial aspects of financial management and compliance. Developing comprehensive policies and procedures ensures adherence to taxation laws and efficient management of tax obligations. Below is a guidance summary outlining what should be included in taxation requirements for government agencies based on best practices in policy and procedures.

Procedure	Internal Control Considerations
Policy Statement	• Clearly articulate the agency's commitment to compliance with all relevant taxation laws and regulations, emphasising transparency, accuracy, and integrity in tax reporting and payments.
Tax Compliance Framework	• Develop a structured framework outlining the agency's approach to tax compliance, including roles and responsibilities of personnel involved, internal controls, risk management procedures, and mechanisms for monitoring and review.
Taxation Scope and Applicability	• Define the types of taxes applicable to the agency, including but not limited to income tax, payroll tax, fringe benefits tax (FBT), Goods and Services Tax (GST), and PAYG taxes. Specify any exemptions or special considerations applicable to government entities.
Tax Registration and Reporting	• Outline procedures for tax registration with relevant authorities and requirements for timely and accurate reporting, including Business Activity Statements (BAS) for GST, FBT returns, and other statutory reporting obligations.
Tax Planning and Optimisation	• Development of proactive tax planning strategies to minimise tax liabilities within legal frameworks, such as exploring available exemptions, deductions, and incentives applicable to government agencies.
Record Keeping and Documentation	• Establish guidelines for maintaining comprehensive records of financial transactions, tax-related documents, and supporting evidence to facilitate audits, compliance checks, and reporting requirements.
Internal Controls and Processes	• Implement robust internal controls and processes to ensure the accuracy and reliability of tax-related data, including segregation of duties, authorisation protocols, and regular reconciliations.
Training and Awareness	• Provide regular training sessions and awareness programs to personnel involved in tax-related activities, ensuring they understand their responsibilities, stay updated on tax laws, and adhere to established procedures.
External Consultation and Expertise	• Engage external tax advisors or consultants as necessary to provide specialised expertise, advise on complex tax matters, and provide assistance in interpreting and applying relevant tax laws.
Continuous Improvement	• Promote a culture of continuous improvement by regularly reviewing and updating tax policies and procedures in response to changes in tax legislation, organisational needs, and emerging best practices.

Adhering to best practices in taxation requirements is essential for government agencies to fulfill their financial obligations, maintain compliance with tax laws, and uphold public trust. By implementing comprehensive policies and procedures outlined in this guidance summary, agencies can ensure effective tax management and mitigate risks associated with tax-related matters.

Public and Other Property

Asset and property management is a crucial aspect of financial management for government agencies. Proper management ensures accountability, efficiency, and compliance with regulations. This section outlines best practices based on policies and procedures to be included in the FMM of a government agency.

Procedure	Internal Control Considerations
Background	• Effective asset and property management begins with establishing clear policies and procedures. These guidelines should cover the entire lifecycle of assets and property, from acquisition to disposal. • This can include but is not limited to: – Capitalisation; – Work in Progress; – Property, Plant and Equipment; – Intangible Assets; – Impairment; – Transfer and Disposal of Assets; – Depreciation; – Holding Account; – Motor Vehicles; – Leases; and – Disclosure Requirements.
Record Keeping	• Maintain accurate records of all assets and property controlled by the agency, as mandated by relevant policies and regulations. This includes establishing and maintaining a formal register for assets exceeding a certain value threshold, typically $5,000.
Expenses to be Capitalised	• Follow regulatory frameworks and accounting standards to determine which expenses should be capitalised. Typically, expenses that meet recognition criteria, have a measurable cost, and are likely to generate future economic benefits should be capitalised.
Threshold for Capitalisation	• Establish a threshold for capitalisation, typically set at $5,000, unless an exemption is sought and approved. Considerations for aggregation of assets and componentisation should also be addressed based on the agency's specific needs.
Subsequent Expenditure	• Define procedures for handling subsequent expenditures on assets, including repairs, maintenance, replacement parts, and major inspections or overhauls. Ensure compliance with accounting standards and regulatory requirements for capitalisation and expensing of such expenditures.
Subsequent Measurement	• Determine the method of subsequent measurement for assets, whether cost-based or revaluation-based, in accordance with accounting standards and agency-specific needs. Regular revaluations of land and buildings should be conducted as required by regulations.

Procedure	Internal Control Considerations
Disposals	• Establish procedures for the disposal of assets that are no longer usable or needed. Ensure compliance with procurement regulations and ethical disposal practices. Document disposals thoroughly and update asset registers accordingly.
Loss or Theft	• Develop protocols for reporting and investigating instances of loss or theft of agency assets or property. Require immediate reporting to relevant authorities and thorough investigation of the circumstances. Implement measures for prevention and mitigation of future incidents.
Training and Compliance	• Provide training to staff involved in asset and property management to ensure understanding and compliance with policies and procedures. Regularly review and update policies to reflect changes in regulations and best practices.

Effective asset and property management is essential for government agencies to fulfill their responsibilities efficiently and transparently. By adhering to established policies and procedures outlined in this guide, agencies can ensure proper accountability, compliance, and stewardship of public resources. Regular monitoring and review of asset management practices are crucial for continuous improvement and optimisation of resource utilisation.

Liabilities

Liabilities are critical components of financial management for government agencies, representing obligations to other parties that must be fulfilled in the future. Proper procedures and policies ensure accurate recording, reporting, and management of liabilities. This section outlines essential procedures and policies to be included in a FMM for government agencies regarding liabilities.

Procedure	Internal Control Considerations

Background	• Effective asset and property management begins with establishing clear policies and procedures. These guidelines should cover the entire lifecycle of liabilities.
	• This can include but is not limited to:
	  – Accrued Expenses;
	  – Accrued Employee Entitlements;
	  – Lease Liabilities;
	  – GST Liability; and
	  – Contingent Liabilities

Accrued Expenses	• Accrued expenses are identified at the end of each reporting period based on goods or services received but not yet invoiced. • Accrual entries are recorded in the general ledger to recognise the expenses. • Accruals are reversed at the beginning of the next reporting period. • Accrued expenses are recognised as current liabilities and must be brought to account at the end of each reporting period. • Accurate assessments are made based on historical data and reasonable estimates.
Accrued Employee Entitlements	• Employee entitlements such as salaries, annual leave, and long service leave are calculated based on employment contracts and relevant regulations. • Actuarial assessments are conducted periodically to determine present value for long-term liabilities. • Provision is made for employee entitlements accrued but not yet paid at the end of each reporting period. • All assumptions used in actuarial assessments are reviewed regularly to ensure accuracy.
Lease Liabilities	• Lease agreements are reviewed and categorised as operating or finance leases based on AASB 16 guidelines. • Lease payments and liabilities are calculated and recorded in accordance with the present value of future cash flows. • Lease liabilities are recognised separately in the Statement of Financial Position. • Short-term leases and low-value assets have specific accounting treatments as per relevant standards.

Procedure	Internal Control Considerations
GST Liability	- GST collected on sales of goods and services is recorded separately and reported to the tax authority. - Input Tax Credits (ITCs) are offset against GST liabilities to determine the net amount payable. - GST liabilities are recognised as current liabilities and paid to the tax authority in the subsequent month.
Contingent Liabilities	- Potential contingent liabilities are identified and assessed for probability and impact. - Details of contingent liabilities are disclosed in the notes to the financial statements. - Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed to provide transparency to stakeholders.

Effective management of liabilities is essential for government agencies to ensure financial accountability and sustainability. By implementing robust procedures and policies outlined in this guide, agencies can accurately record, report, and manage their liabilities, thereby enhancing transparency and compliance with regulatory requirements. Regular review and adherence to relevant accounting standards and guidelines are imperative to maintain financial integrity and meet organisational objectives.

Other

Budget Management

Budget management is crucial for government agencies to ensure responsible stewardship of public funds and the achievement of organisational objectives. To establish robust budget management practices, agencies should implement the following policies and procedures:

Procedure	Internal Control Considerations
Budget Development Policy	• Establish a clear policy outlining the process for developing, approving, and monitoring budgets. • Define the roles and responsibilities of key stakeholders involved in the budgeting process.
Budget Timelines Procedure	• Develop procedures to establish budget timelines aligned with organisational planning cycles and government requirements. • Outline deadlines for budget submissions, reviews, approvals, and adjustments throughout the fiscal year.
Internal Budgeting Procedure	• Implement procedures for conducting internal budgeting processes that engage relevant departments/business units and align with organisational priorities. • Provide guidelines and templates to assist budget holders in developing accurate and comprehensive budgets.
Cash Management	• Develop procedures for effective cash management, that includes forecasting, monitoring, reconciling and reporting cash balances. • Track cash balances against the working cash limit and report regularly to those charged with governance. • Establish a process to ensure operating cash and restricted cash are controlled and only used as intended and reported appropriately.
Budget Package Distribution Procedure	• Define procedures for distributing budget packages containing key information, such as budget outlooks, guidelines, and parameters. • Specify how budget packages will be disseminated to budget holders and departments for review and input.
Budget Meetings Protocol	• Establish protocols for conducting budget meetings with departmental stakeholders to gather input and ensure alignment with organisational goals. • Outline expectations for the submission of detailed budget distribution and expenditure information by departments.
Mid-Year Review Process	• Develop procedures for conducting mid-year budget reviews to assess performance and make necessary adjustments. • Define criteria for identifying variances and implementing corrective actions to address budget shortfalls or surpluses.
Financial Systems Utilisation Policy	• Adopt a policy governing the use of financial systems for budget monitoring, tracking expenditures, and generating reports. • Specify the responsibilities of finance personnel in maintaining accurate and up-to-date financial records.

Procedure	Internal Control Considerations
Compliance and Reporting Policy	• Establish policies to ensure compliance with government regulations and reporting requirements related to budget management. • Outline procedures for preparing and submitting budget-related reports to regulatory authorities.
Oversight Committee Establishment Procedure	• Develop procedures for establishing oversight committees, such as Finance and Investment Committees, to provide governance and accountability for budget management. • Define the composition, responsibilities, and meeting schedules of oversight committees.
Performance Evaluation and Reporting	• Define the process for evaluating and monitoring performance. • Establish a process for reviewing and reporting service and program delivery. • Establish a process for evaluating and reporting on major AIP projects, that includes the progress of each project against cost and time line targets. • Ensure there are defined processes to track, manage and report agency performance against key financial targets to ensure they are not exceeded, as outlined in the Resource Agreement (i.e. salary expense limit, TCOS) and the Government Leave Liability Management Policy.
Continuous Improvement Protocol	• Implement a protocol for evaluating budget management processes and identifying opportunities for improvement. • Encourage feedback from stakeholders to inform enhancements to budgeting practices and procedures.

Management Reporting

Management reporting plays a crucial role in facilitating informed decision-making and ensuring accountability within government agencies. The following comprehensive guide outlines best practices for policies and procedures in management reporting:

Procedure	Internal Control Considerations
Policy Framework	• Establish a clear policy framework outlining the objectives, scope, and responsibilities for management reporting. • Define the roles of stakeholders including governing bodies, executive management, and operational managers in the reporting process.
Stakeholder Identification	• Identify the key stakeholders who will receive and utilise management reports, including governing bodies, Audit Committee, executive management, and operational managers. • Tailor reports to meet the specific information needs of each stakeholder group
Accessibility and Timeliness	• Ensure timely access to management reports by establishing reporting schedules and deadlines. • Implement procedures to distribute reports efficiently to relevant stakeholders, utilising digital platforms where possible.
Content and Format	• Include comprehensive financial and operational information in management reports, covering key performance indicators (KPIs), budget variances, and strategic objectives. • Utilise standardised formats and templates to enhance consistency and facilitate easy understanding of the information presented.
Data Accuracy and Integrity	• Implement controls to ensure the accuracy and integrity of data used in management reports, including validation checks and reconciliation processes. • Establish procedures for data governance and quality assurance to maintain the reliability of reporting information.
Analysis and Interpretation	• Provide meaningful analysis and interpretation of data in management reports, highlighting trends, insights, and areas requiring attention. • Incorporate commentary and contextual information to enhance understanding and facilitate decision-making.
Performance Monitoring	• Monitor key performance indicators (KPIs) regularly to track progress against strategic objectives and operational targets. • Implement procedures for identifying and addressing deviations from planned performance through corrective actions.
Governance and Oversight	• Establish governance structures, such as oversight committees or steering groups, to provide guidance and oversight of the management reporting process. • Ensure that management reports are reviewed and endorsed by appropriate levels of management before dissemination.
Continuous Improvement	• Foster a culture of continuous improvement by soliciting feedback from stakeholders and conducting regular reviews of management reporting processes. • Incorporate lessons learned and best practices into future iterations of management reporting policies and procedures.
Training and Capacity Building	• Provide training and support to staff involved in the management reporting process to enhance their skills and capabilities. • Ensure that staff are equipped with the necessary tools and resources to effectively prepare, analyse, and utilise management reports.

Special Purpose Accounts

Agencies are often required to hold monies used for specific purposes, and these are held in special purpose accounts (SPAs). Effective management and processes are required to ensure that the funds are used for their intended purposes. The following best practices guide, and TG 7 Special Purpose Accounts outline recommendations for managing SPAs. Further control principles can refer to the WA Auditor General's Report 19 on Control of Monies Held for Specific Purposes.

Procedure	Internal Control Considerations

Policies and Procedures	• Establish adequate policies and procedures to guide staff on how to administer accounts, including but not limited to:
	- clarifying the purpose of each account to prevent misuse; and
	- referencing to TI or legislative requirements, such as
	  o annual reviews of trust and special purpose statements
	  o approvals needed to overdraw accounts; and
	  o annual reporting.
	• Develop policies and procedures to prevent overdrawing and ensure the SPA is used only for its intended purpose.
	• Define roles and responsibilities to ensure accountability in managing funds.
	• Outline procedures for managing unspent and overspent accounts.
	• Provide clear guidelines for handling monies when closing SPAs under section 21 of the FMA, and confirm with the Department Treasury that the account can be closed.

Authorisation and Approval	• Ensure approval from the Treasurer, as mandated by section 19(1) of the FMA, before authorising any expenditure that may cause the SPA to be overdrawn to prevent the risk of overspending public money. • Ensure underlying records and authorisations align with the nature and categorisation of specific purpose monies, articulating permissible expenditures clearly.
Monitoring and Reporting	• Regularly monitor account balances for effective cash management and appropriate use of specific purpose monies. • Administer the SPA through machinery of government changes and update statements in a timely manner. • Formally review cost allocations with relevant account managers, supported by appropriate evidence. • Report SPAs regularly to those charged with governance for ongoing review and scrutiny, beyond annual financial statement reviews.
Annual Reviews	• Conduct annual review the statements as required by TI 7 *Special Purpose Accounts*., ensuring evidence can be provided for audit purpose. • In reviewing the statements, considering the currency and accuracy of the information in the statement and update them as necessary. • Determine accounts that need to be closed due to fulfilling their intended purposes, as required by TI 7 Requirement 1.4.

Procedure	Internal Control Considerations
	• Maintain sufficient and appropriate evidence to support all payroll costs charged to accounts. • Independently scrutinise expenditure regularly to ensure appropriate use of monies and validity of transactions allocated to accounts. • Ensure policies and procedures are effectively communicated to staff, with mechanisms in place to address non-compliance.
Documentation and Recordkeeping	• Maintain complete and accurate records to show what restrictions apply to funds in each account, as stipulated under section 16(2) of the FMA; • Maintain appropriate records to confirm the completeness of funds deposited into accounts. • Ensure all transactions in SPAs are supported by appropriate evidence and adequate records. • Establish, maintain, and review annually a comprehensive register of SPAs as required by TI 7 Requirement 1.4.
Reconciliation	• Regularly reconcile SPAs and promptly investigate and resolve reconciling items. • Verify receipts and payments regularly, and check closing balances against the cash position. • Reconcile account receipts, payments, and closing balances regularly, with independent reviews to ensure accuracy. • Review end-of-period reconciliations to assess whether the SPA has fulfilled its intended purpose and proceed to close relevant accounts accordingly.

Financial Reporting Disclosure	• Disclose all SPAs required by TI 9 Requirement 6 *Statements of Financial Position*. If a SPA cannot be closed due to legislation, include information about accounts with nil balances in the notes to their financial statements
	• Review annually against the requirements of the *Financial Management Act 2006* and Treasurer's Instructions to ensure specific purpose monies are accurately and completely reported, including but not limited to:
	  - name of account;
	  - information about how the account was created;
	  - statement of the account's purpose; and
	  - existence of the account, and not report accounts that were not SPAs.
	• Ensure a copy of the statement is included in the agency's annual report for the financial year it is approved or amended, as required by TI 7 Requirement 1.3.