

# TPG24-08 CFO Certification on the Internal Control Framework over Financial Systems and Information

## *Frequently Asked Questions*

### Q1. What does the policy require?

The policy has two mandatory requirements. They apply to all GSF agencies.

1. The CFO is responsible to design, implement, continuously monitor and evaluate throughout the year a risk-based internal control framework over agency's financial systems and information.
2. The CFO provides a CFO Certification, including a summary of internal control issues, to their Accountable Authority before the financial statements are finalised each year.

The policy also recommends that CFOs:

- Before the beginning of the financial year – design or review the internal control framework over financial systems and information. Agree it with their Accountable Authority and share a copy with their Audit and Risk Committee, if applicable.
- Develop an annual program - to continuously monitor the internal control framework, and engage with the Chief Executive Officer, the Chief Risk Officer, the Accountable Authority and the Audit and Risk Committee in planning the annual program.
- Update the Accountable Authority partway through the financial year - to ensure continuous monitoring of the internal control framework against the annual program and support early identification of control weaknesses.

### Q2. What is the difference between a *mandatory requirement* and a *recommendation*?

Mandatory means “must”, and a recommendation is “not a must”.

When the TPG provides a recommendation, the CFO should carefully evaluate how to best implement and scale the policy recommendations to align with their agency's specific circumstances.

Where a CFO determines not to apply a recommendation, or to modify application of a recommendation, the CFO **must** notify their Accountable Authority and Audit and Risk Committee (where applicable) of that fact and of the reasons for not applying or modifying the recommendation. Entities can provide evidence of this to the Treasury and the Audit Office as required.

### Q3. What changes under the new policy?

- The updated policy reflects the change from the *Public Finance and Audit Act 1983* (NSW) to the *Government Sector Finance Act 2018* (NSW) (GSF Act) including extending the scope to all GSF agencies, to support Accountable Authorities discharge their responsibilities under the GSF Act.
- The new policy clarifies that the CFO must provide their Accountable Authority a signed letter of Certification before the financial statements and reporting are finalised each

financial year. Previously, the policy was not explicit about when the CFO was required to provide the letter of Certification.

- Where the **Accountable Authority is also the CFO**, a separate CFO Certification is still required to demonstrate that the CFO has considered the effectiveness of the entity's internal control framework over its financial systems and information.
- Material agencies will still need to submit the CFO Certifications to Treasury as part of Total State Financial Reporting (TSFR) Mandatory Year-End process. Return of a CFO Certification to Treasury is no longer a requirement of the CFO Certification policy.

Background:

- Material agencies have been required to provide a CFO Certification to Treasury since 2010. The requirements were set out under the previous policy, TPP17-06 Certifying the Effectiveness of Internal Controls over Financial Information.
- This new policy adopts a plain English and a principles-based approach, focusing on two core requirements (refer to Q1) supported by recommendations and guidance.

#### **Q4. When will the new policy take effect?**

The policy will apply to all agencies in scope of TPP17-06 for CFO certifications covering the financial year beginning 1 July 2024. Where significant implementation changes are required, these agencies may choose to comply from the financial year beginning 1 July 2025.

For newly in-scope agencies, this policy first applies for CFO Certifications covering the financial year beginning 1 July 2025.

#### **Q5. When will the CFO certification need to be submitted to Treasury?**

The new policy, TPG24-08, no longer requires submission to Treasury. However, the CFO Certification must continue to be submitted to the entity's Accountable Authority.

Note, material agencies will still be required to provide a copy of their CFO Certification to Treasury to support the Total State Sector Accounts. The dates are set annually in the 'Mandatory Year-end' TPG.

For FY23-24, CFO Certifications for material agencies are required by 13 September 2024 as advised in TPG24-17 Agency Direction for the 2023-24 Mandatory Annual Returns to Treasury. If you expect delays in submission, please inform Treasury via [agencyinfo@treasury.nsw.gov.au](mailto:agencyinfo@treasury.nsw.gov.au) early on.

#### **Q6. Agencies that are *not* newly in scope but require significant implementation changes may choose to comply from the financial year beginning 1 July 2025. Does an agency need to seek a formal exemption from Treasury in this case?**

No. The decision to delay implementation until FY25-26 or to not fully comply with the policy rests with the Accountable Authority. However, it is important to note that material agencies will still be required to submit their CFO Certification to Treasury to support the Total State Sector Accounts around mid-September.

**Q7. In the *first year* of new certification, if an agency's framework began operating during the financial year, could an agency sign off their certification at the end of that financial year?**

Yes. In the first year of implementation, agencies can indicate the application date of the framework or the start date of compliance on the signed copy.

**Q8. As a finance or budget manager, what can I do to support my CFO and Accountable Authority?**

- Continuously monitor the controls in your area. Consider which are the best and most appropriate controls for your area's situation.
- Encourage the right culture, in your area of responsibility.
- Make use of our FAQ sheets and [CFO Certification Toolkit](#) available online.
- Communicate the importance of internal controls to non-finance managers and partners.

**Q9. What is the COSO 2013 Framework?**

The COSO 2013 Framework contains a definition of internal control and the COSO cube. It is one of the primary internal control frameworks.

The COSO cube includes five components of internal control:

- Control Environment,
- Risk Assessment,
- Control Activities,
- Information & Communication, and
- Monitoring Activities.

Treasury hosted a best practice sharing workshop in June 2024 which included both large and small agency presentations. They provide great examples of how these agencies have established their annual programs. To request a copy of the **PowerPoint** and **recording**, contact us via [finpol@treasury.nsw.gov.au](mailto:finpol@treasury.nsw.gov.au).

**Q10. What should we include in our entity's internal control framework?**

The COSO website [Executive Summary \(coso.org\)](https://www.coso.org) provides a brief overview of a framework, which includes the components to include in the framework.

You can also refer to the example sharing in a best practice sharing workshop. To request a copy of the **PowerPoint** and **recording**, contact us via [finpol@treasury.nsw.gov.au](mailto:finpol@treasury.nsw.gov.au).

**Q11. What is an internal control?**

An internal control can be thought of as something that controls risks which threaten achievement of objectives. In the public service those objectives include financial stewardship of public resources, maintaining public trust, accountability and achieving better outcomes for the people of NSW.

The COSO Framework 2013 states that internal controls are designed to provide reasonable assurance of achievement of objectives in these areas:

1. Operational effectiveness and efficiency
2. Financial reporting reliability
3. Compliance with law and regulations
4. Risk management and internal controls are integral to protecting an entity's performance and assets.

For examples of internal controls, please refer to the [CFO Certification Toolkit](#).

**Q12. What does continuous monitoring and evaluation look like? Is there any minimum frequency? What form should they take?**

Monitoring is one of the key components of the COSO Framework 2013. Monitoring activities are periodic or ongoing evaluations to verify that each of the five components of internal control, including the controls that affect the principles within each component, are present and functioning.

The frequency and form depend on the context, risk appetite and activities of the entity, and could range from several times a year to once a year.

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**Q13. What are the expectations for evidence and information to support the CFO Certification?**

Evidence to the certification could be in various formats, e.g. list of controls, documented risk matrixes, internal control testing results, regular review records and completed checklists etc. Agencies have different risk appetites and/or operate under different risk environments. Therefore, the types of evidence and level of details required may vary.

Part 3 of the policy recommends 3 types of evidence to support the CFO Certification: the results of annual program, management certification(s), and outsourced and shared services certification(s). An entity's Accountable Authority may determine the appropriate level of evidence based on the entity's risk profile.

**Q14. Is it compulsory to use the checklist provided in the toolkit as part of the annual program? Do I have to include every test or check listed?**

No. The checklist is only a suggested method of monitoring the performance of your internal controls or annual program. You can choose to implement other types of checks, and document them in a different format (e.g. using word, a spreadsheet, in-house systems etc.) to fulfill the requirements.

The points on the example checklists are suggested topics for review. An agency should determine the internal controls that it needs, remove any irrelevant areas and incorporate areas that are determined as risky or important from their own risk assessment.

**Q15. In the TPG, paragraph 1.6 recommends that the CFO update the Accountable Authority partway through the financial year on performance against the annual program. When should it occur and what would that look like?**

There is no set time or format of the update on performance against annual program. Each agency should determine the most suitable time to update its Accountable Authority on the performance of the annual program. The update could be documented in any form, for example, meeting, brief, presentation, or report etc.

Note: this is not a mandatory requirement but a recommendation. If it is determined the update is not needed, the CFO must notify their Accountable Authority and Audit and Risk Committee (where applicable) of the reason and be able to provide evidence of this as required.

**Q16. What does an annual program look like?**

The annual program could be a stand-alone document, or a set of documents of various kinds. For example, agency can:

- Put together different sorts of documentation into one file.
- Embed links to spreadsheets or word documents within a master document.
- Capture information using OneNote by creating tabs for various internal control processes and share access across finance and operation colleagues.

Documentation types may include an overarching framework, controls library, relevant internal policies, risk and compliance register, risk assessment, risk matrix, development plan, strategic plans, review timelines, point of contact tables, testing templates, walk-through documents and review checklists etc.

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