

Controls for the management of specific purpose monies

From report 19: 2019/20 – Control of Monies Held for Specific Purposes

The following table shows the control principles on which our audit focused. They cover a number of sound practices and controls related to the management of specific purpose monies and are not intended as an exhaustive list.

Specific purpose monies	Focus area	What we expected to see
Policy and procedures	Identification and classification of funds	<ul style="list-style-type: none"> An outline of how specific purpose monies and assets are identified, classified and accounted for in the financial system. Requirements for establishing and closing accounts. Documentation supporting the establishment, nature and categorisation of each account.
	Expenditure controls	<ul style="list-style-type: none"> Controls established to ensure monies are appropriately spent and monitored. Purpose of accounts are clearly defined to avoid potential misuse of monies.
	Recordkeeping	<ul style="list-style-type: none"> Recordkeeping requirements are specified to ensure that adequate evidence is maintained to demonstrate that monies are spent in accordance with the intended purpose.
	Monitoring of fund balances	<ul style="list-style-type: none"> Requirements for account receipts, payments and closing balances to be regularly reconciled and independently reviewed. Regular reporting of account balances and reconciliations to those charged with governance. An outline of how unspent and overspent accounts are to be dealt with.
	Roles and responsibilities	<ul style="list-style-type: none"> Clearly defined roles and responsibilities for key processes.
	Compliance with policies and procedures	<ul style="list-style-type: none"> Mechanisms in place to ensure policies and procedures are regularly and effectively communicated to staff. Processes in place for non-compliance with policies and procedures.
	Relevant legislation	<ul style="list-style-type: none"> References to appropriate sections in the <i>Financial Management Act 2006</i> and Treasurer's Instructions be included within entity policies and procedures.
	Review of policies and procedures	<ul style="list-style-type: none"> Regular review of policies and procedures for adequacy and appropriateness.

Specific purpose monies	Focus area	What we expected to see
Establishment of specific purpose monies	Authorisation	<ul style="list-style-type: none"> • Appropriate underlying records and authorisations have been obtained in line with the nature and categorisation of specific purpose monies. • The purpose of the monies is clearly articulated including the purposes for which expenditure may be used from these monies.
	Recordkeeping	<ul style="list-style-type: none"> • Adequate controls and processes are established to ensure that monies are received as appropriate and are accounted for correctly. • Debts requiring write off should follow the same processes and authorisations as applicable to all entity debt. • Adequate records should be maintained to evidence that terms and conditions applying to specific purpose monies has been complied with. • Clear guidelines on how monies are to be dealt with on closure of a specific purpose account.
Expenditure of specific purpose monies	Authorisation	<ul style="list-style-type: none"> • Expenses and cost allocation journals are independently, appropriately, and timely reviewed to ensure transactions are compliant with intended purposes.
	Recordkeeping	<ul style="list-style-type: none"> • Sufficient and appropriate evidence to support that the expense was compliant with the intended purpose. • Appropriate documentation or frameworks are in place to support cost allocations.
	Reconciliation	<ul style="list-style-type: none"> • Special purpose accounts should be regularly reconciled with reconciling items investigated and resolved in a timely manner.
	Reporting	<ul style="list-style-type: none"> • Special purpose accounts should be regularly reported to those charged with governance for their review and scrutiny. This should extend beyond an annual review that is performed at financial year end as part of financial statement reporting processes.
Financial Reporting	Disclosure	<ul style="list-style-type: none"> • Financial report disclosures are reviewed annually against the requirements of the <i>Financial Management Act 2006</i> and Treasurer's Instructions to ensure specific purpose monies are accurately and completely reported.

Source: OAG, based on the *Financial Management Act 2006* (Divisions 3 and 4) and Treasurer's Instructions (801, 802, 805, 806, 950, 1103)

