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Integrity in financial management: Self-assessment checklist

**1. Complete the checklist**

The self-assessment checklist should be completed by an officer (or officers) with subject matter expertise and visibility of the public authority’s approach to financial management such as the head of internal audit or chief finance officer in a large public authority; or a senior leader (or combination of senior leaders) with responsibility and accountability for financial management in smaller authorities. Consultation with other relevant functional areas might also be required.

The checklist prompts you to consider the level to which your public authority has specific controls or activities using either ‘in place’, ‘in progress’ or ‘not in place’.

If more than one officer is involved in the assessment, they can consider completing the checklist individually first then coming together to form a consensus view.

**2. Plan for action**

Consider how to address any gaps identified in your current approaches. Write comments and actions as the basis for a future plan.

Use a risk-based approach to prioritise future actions.

Include the plan on the agenda for the internal audit committee, or similar, that may recommend actions to be taken, and prescribe how and when.

**3. Implement, monitor and review the plan**

Assign each activity and task in the action plan to a responsible officer or custodian to complete the task and report progress back to the internal audit committee or similar. The committee can then monitor progress as part of its assurance role.

Before considering the activity or task complete, review whether it effectively controls the risk identified in the way intended.

Consider how financial management controls are reviewed and improved on an ongoing basis. For example, controls might be monitored periodically as part of the internal audit program. Ensure financial management controls are as contemporary and as strong as possible.

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| **Definitions** |
| **Public authorities:** Collective term describing public sector agencies (departments, SES organisations and non-SES organisations), local governments, public universities, government trading enterprises, other entities and some boards and committees.  **Public officer:** Meaning given by section 1 of The Criminal Code and includes those appointed to, employed in and contracted to public authorities. |

# Part 1: Plan and act to improve integrity

Effective financial management practices, systems and frameworks are established.

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| **Risk management**  Effective risk management processes have been established. | | | | |
| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has a risk management and governance framework which is monitored at least annually for effectiveness |  |  |  |  |
| has a risk management system or process that: |  |  |  |  |
| * captures and tracks financial risks, controls and treatments |  |  |  |  |
| * documents these as well as the officers who are accountable for managing each risk in a risk register |  |  |  |  |
| has a fraud and corruption control plan that: |  |  |  |  |
| * is based on an environmental scan and assessment of integrity risks and vulnerabilities including financial risks |  |  |  |  |
| * clearly describes and assigns responsibilities and accountabilities for detecting, reporting and preventing fraud and corruption |  |  |  |  |
| * seeks to control and treat financial fraud and corruption risks and vulnerabilities (e.g. particular controls for financial management processes or positions assessed as being ‘high risk’ or having a higher fraud and corruption risk exposure) |  |  |  |  |
| * describes a financial fraud and corruption detection program that includes: |  |  |  |  |
| * + analysis of management accounting reports |  |  |  |  |
| * + random audits or ‘spot checks’ where there are multiple and regular transactions under threshold limits. |  |  |  |  |
| * is reviewed periodically for effectiveness and to ensure new and emerging financial fraud and corruption risks areas are being identified and assessed. |  |  |  |  |

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| **Sound financial management practice**  Purchasing, payment and financial monitoring processes have been established. | | | | |
| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has, in easy to understand terms, described how sound financial management contributes to broader integrity and governance frameworks (e.g. in the public authority’s integrity framework, financial management manual, policies and procedures) |  |  |  |  |
| has sound financial management policies and processes which take into account legislation and other mandatory requirements |  |  |  |  |
| has policies and procedures that define: |  |  |  |  |
| * roles, responsibilities and accountabilities in financial management processes |  |  |  |  |
| * financial delegations |  |  |  |  |
| * procurement practices and approvals |  |  |  |  |
| * contract management practices and approvals |  |  |  |  |
| * purchasing cards including the basis for allocation, use, management (including monetary limits) and cancellation |  |  |  |  |
| * acceptable use of public resources |  |  |  |  |
| * recordkeeping and storage |  |  |  |  |
| * how integrity risks associated with financial management are identified, assessed and monitored |  |  |  |  |
| has employment screening and secondary employment approval processes for incoming and existing officers, with how often these processes are conducted for officers in financial, procurement and contracting positions included in a policy. |  |  |  |  |

| **Sound financial management practice**  Purchasing, payment and financial monitoring processes have been established. | | | | |
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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has detection methods and data analytics processes that highlight where to focus any further examinations to look for trends and patterns, or suspicious activities, including: |  |  |  |  |
| * random transaction audits |  |  |  |  |
| * purchasing, expenditure and vendor profiling and monitoring (e.g. spend analysis, review of purchase orders raised retrospectively, inappropriate purchases, potential duplicate payments, inactive/duplicate suppliers, suppliers with invalid ABNs, GST profiling) |  |  |  |  |
| * purchasing card monitoring and reporting (e.g. periodic audits; monitoring of dormant and low-card usage, high value and inappropriate or personal use expenditure, non-compliance with purchasing card processes like timely acquittals) |  |  |  |  |
| * contract management monitoring and reporting (e.g. periodic audits, monitoring contract performance, financial management and risk, supplier spend versus contract values, and variation analysis) |  |  |  |  |
| * issues identified in conflicts of interest and gifts, benefits and hospitality declarations and/or centralised registers, secondary employment applications and approvals, and leave liability |  |  |  |  |
| has a financial management system that is fit for purpose and well maintained; for larger authorities this may include configuring automated approval workflows that ensure segregation of duties (e.g. where one officer cannot order, receive, incur and certify); where automation is not possible segregation is documented and auditable |  |  |  |  |
| has financial management recordkeeping processes (e.g. requiring tender evaluation panels to record actions and decisions in writing, communicating with suppliers in writing and appropriately storing these interactions for transparency). |  |  |  |  |

| **Sound financial management practice**  Purchasing, payment and financial monitoring processes have been established. | | | | |
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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has a centralised and comprehensive supplier master file that controls creation and amendment of supplier records and: |  |  |  |  |
| * requires suppliers and their details to be validated before creating new supplier details or amending existing details |  |  |  |  |
| * requires key supplier details to be recorded to enable ongoing monitoring |  |  |  |  |
| has a process for raising purchase orders that allows for appropriate visibility of planned purchases and approvals; and describes limited circumstances where purchase orders are not required (e.g. emergency purchases) |  |  |  |  |
| has invoice matching processes to detect irregularities including: |  |  |  |  |
| * automated invoice matching controls configured in the financial management system |  |  |  |  |
| * using invoice matching to confirm goods or services have been received and were planned for |  |  |  |  |
| * performing random audits for high value or frequently purchased goods and services to confirm with suppliers the goods or services were actually provided (e.g. includes those that may not be tangible like consultancy services) |  |  |  |  |
| has processes to confirm requested goods and services have been received |  |  |  |  |
| has accessible reporting pathways: |  |  |  |  |
| * for officers to report suspected non-compliance with financial management policies and processes |  |  |  |  |
| * for officers to report misconduct and corruption more broadly, both internal and external to the public authority, including anonymous reporting avenues. |  |  |  |  |

| **Delegations of authority**  Effective delegations framework has been established. | | | | |
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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has financial delegations and approvals which: |  |  |  |  |
| * are communicated and enforced |  |  |  |  |
| * are described in a centralised schedule or register |  |  |  |  |
| * define and limit those responsible and accountable for reviewing and updating delegations |  |  |  |  |
| * define how changes to or deviations from delegations are managed including: |  |  |  |  |
| * + approach for managing sudden departures or periods of absence |  |  |  |  |
| * + processes to detect, monitor and manage non-compliance (e.g. those acting without delegation). |  |  |  |  |

| **Procurement** Effective procurement frameworks and processes have been established. | | | | |
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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has procurement planning, evaluation and engagement processes: |  |  |  |  |
| * for high-value, high-risk purchases which are periodically monitored (e.g. in response to changes in the public authority’s operating environment) |  |  |  |  |
| * that describes procurement value thresholds and risk including when to use written quotes and tenders to demonstrate due diligence and value for money |  |  |  |  |
| has a conflicts of interest policy and procedures including how gifts, benefits and hospitality are managed for ‘high-risk’ positions, functions and activities like procurement |  |  |  |  |
| has defined when exemptions to procurement processes can be used (e.g. in limited circumstances and must be documented and appropriately approved) |  |  |  |  |
| has a process for independent review of procurement decisions |  |  |  |  |
| has tools and templates accessible to support officers undertaking procurement activities. |  |  |  |  |

| **Purchasing cards** Effective purchasing card management processes have been established. | | | | |
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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has a purchasing card system or process that: |  |  |  |  |
| * manages workflow for acquitting and approving purchases |  |  |  |  |
| * ensures appropriate approval processes for amending purchasing card limits |  |  |  |  |
| * requires regular review of card holders to ensure they continue to have legitimate business reasons to hold cards |  |  |  |  |
| * requires card holders to affirm they understand their responsibility and accept their financial management obligations, and these are recorded appropriately |  |  |  |  |
| * identifies how accidental personal use of purchasing cards is managed and steps required to report it and return funds |  |  |  |  |
| * allows for independent review and approval of purchasing card statements |  |  |  |  |
| * allows for appropriate and timely cancelling of cards and/or hold processes when officers are on leave, on extended absence from work or leave the public authority. |  |  |  |  |

| **Contract management** Effective contract management processes have been established. | | | | |
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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has a centralised contract management register or system to store contract-related data and documentation |  |  |  |  |
| has contract management and oversight processes to enforce contractual terms, milestones and deliverables; and established methods to address any concerns |  |  |  |  |
| has a process for contract variations or project scope changes to be authorised, documented and monitored |  |  |  |  |
| has evaluation and reporting requirements on contracts (e.g. if they met the brief, were on time, on budget) |  |  |  |  |
| has tools and templates accessible to support officers undertaking contract management activities. |  |  |  |  |

# Part 2: Model and embody a culture of integrity

A culture of integrity exists in financial management, and is reinforced and communicated by leaders.

| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
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| has a statement about the way it does business (sometimes called a statement of business ethics) which is publicly available |  |  |  |  |
| has an annual process where financial, procurement and contracting officers sign and acknowledge they understand their obligations under the code of conduct and financial management policies and processes |  |  |  |  |
| has an annual (or more frequent) declaration of interests process for financial, procurement and contracting officers |  |  |  |  |
| has a process for high-risk, high-value suppliers to declare any conflicts of interest with internal officers |  |  |  |  |
| has communications strategies to promote integrity including announcements and reminders about integrity in financial management |  |  |  |  |
| has processes where chief finance officers (or equivalent) communicate the expectation that matters around non-compliance with policies and processes are to be reported, treated seriously and dealt with appropriately |  |  |  |  |
| has processes where chief finance officers (or equivalent) demonstrate they are aware of the pathways to report non-compliance, misconduct and corruption both internal and external to the public authority. |  |  |  |  |

# Part 3: Learn and develop integrity knowledge and skills

Individual and public authority financial management knowledge, skills and competence are grown.

| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| --- | --- | --- | --- | --- |
| has formal training programs for officers with financial, procurement and contracting responsibilities to ensure they are aware of their code of conduct, financial management policies and processes, and avenues for reporting suspected non-compliance, misconduct and corruption (e.g. financial fraud) |  |  |  |  |
| has formal training programs for new starters, secondees and transfers (e.g. induction and/or on-boarding programs) which emphasise integrity and obligations around protecting financial resources of the public authority and WA Government |  |  |  |  |
| has targeted training programs on: |  |  |  |  |
| * procurement and contracting processes for officers involved in these activities, including evaluation panel members (e.g. ensure suitably skilled and knowledgeable panel members are selected for procurement processes) |  |  |  |  |
| * risk management with particular attention on officers who are ‘risk owners’ and have specific roles, responsibilities and accountabilities for identified risks |  |  |  |  |
| * fraud and corruption control where training is appropriate to the risk profile of the role; teaches officers about ‘red flags’ to be aware of from other officers and suppliers; and supports officers to feel confident in reporting concerns |  |  |  |  |
| has awareness raising activities for suppliers that emphasise integrity, including ensuring suppliers (including new suppliers) are informed about integrity, the public authority’s position on declaring conflicts of interest and how to report non-compliance, misconduct and corruption (e.g. providing a copy of the way the public authority does business during the procurement process and at time of engagement). |  |  |  |  |

# Part 4: Be accountable for integrity

Prevention, detection and response to financial fraud and corruption are everyone’s personal and professional responsibilities.

| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
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| has an independent internal audit function that: |  |  |  |  |
| * has clearly defined objectives, independence, accountability, reporting arrangements and role in an internal audit charter |  |  |  |  |
| * provides a risk-based review of the effectiveness of governance, risk management and controls |  |  |  |  |
| * is led by an officer who is suitably qualified and appropriately senior but has no other executive or managerial powers, authorities, functions or duties except those relating to the management of the internal audit function |  |  |  |  |
| * has an established system and follow-up process to track and monitor internal and external audit actions to confirm they have been effectively implemented |  |  |  |  |
| has an independent internal audit committee or similar that: |  |  |  |  |
| * has a charter that defines its independence, accountability, role and responsibilities, and reporting arrangements |  |  |  |  |
| * oversees governance, risk management, internal controls and compliance |  |  |  |  |
| * has a suitably qualified chair who is not employed in the public authority |  |  |  |  |
| * determines the internal audit program in consultation with the accountable authority. |  |  |  |  |

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| **Assess if your public authority:** | **In place** | **In progress** | **Not in place** | **Proposed actions and comments** |
| has other internal oversight committees as required where: |  |  |  |  |
| * there are defined roles and relationships with executive leadership to embed accountability and oversight throughout the public authority |  |  |  |  |
| * there are processes in place to ensure committees understand and apply their oversight roles consistently |  |  |  |  |
| * periodic reporting to senior leadership occurs to ensure they have a strong understanding of the internal financial environment |  |  |  |  |
| has monitoring and/or audit activities (and treatments available) to make sure officers’ involvement and behaviour in procurement or contracting are appropriate including: |  |  |  |  |
| * effective supervision of those working in ‘high-risk’ positions or undertaking high-risk functions or activities or those with high levels of discretionary decision making |  |  |  |  |
| * processes for identifying and recording officers with global access or officers who are able to override financial management controls |  |  |  |  |
| * processes for identifying and recording officers’ access to sensitive contract or tender information |  |  |  |  |
| * rotating officers in ‘high-risk’ positions or undertaking high-risk functions or activities |  |  |  |  |
| * ongoing vigilance around segregation of duties |  |  |  |  |
| * leave liability is appropriately managed |  |  |  |  |
| has a process to address matters identified, detected and reported including how issues are escalated internally and externally (i.e. who is notified and when and how investigations are undertaken) |  |  |  |  |
| has a process to use learnings from reports and recommendations of anti-corruption agencies and other integrity bodies. |  |  |  |  |