

Portfolio Financial Management Compliance Framework

Department of Energy, Environment and Climate Action

Revised June 2024



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Energy,
Environment
and Climate Action

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it.

We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

DEECA is committed to genuinely partnering with Victorian Traditional Owners and Victoria's Aboriginal community to progress their aspirations.



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Revisions/updates to PFMCF

Section(s) Revised/updated/New	Date revision came into operation	Nature of revision/update
1.6 Part exemption Appendix 3	1 July 2022	Portfolio agencies may seek exemptions from sections of the PFMCF.
2.3.1 (k) relating to appropriate application of exemptions under the PFMCF	1 July 2022	With the introduction of part exemptions, the Accountable Officer is responsible for ensuring the exemption/s applied are sought and dealt with appropriately.
3.5.2 Financial assets and bank accounts 3.5.3 Expenditure	1 July 2022	The word cash is now replaced by the term 'financial assets' to encompass all monetary transaction types.
4.2.1 (h) relating to discretionary application of the VGPB policies and procedures	1 July 2022	The Victorian Government Purchasing Board (VGPB) initiated an expansion of the application of its policies and procedures to achieve a 'single' approach to procurement across the entire VPS. This is not mandated by the PFMCF however agencies may, at their discretion, choose to comply with the VGPB procurement policies and procedures, partially or fully, where it is not onerous to do so.
5.1.1 (a) Financial Reporting Directions	1 July 2022	Whilst the Financial Reporting Directions applied previously, they are now explicitly noted.
5.1.2 (c)(i) Annual assessment of financial management compliance 5.1.3 (a) annual report attestation	1 July 2022	The template titles have been amended.
3.5.4 (a)(v) Applying to Victorian Government <i>Pricing for Value Guide</i> to the costs associated with voluntary payroll deductions from gross pay.	1 June 2024	Reference to 'Cost Recovery Guidelines' was replaced with 'Pricing for Value Guide'.
3.7.2 Central banking system and eligible financial assets	1 June 2024	Updated to advise all agencies applicable to this compliance.
Appendix 7: Instruction 3.6 Purchasing cards, Clause 4.4 and 4.5	1 June 2024	Clause 4.4 updated to emphasise the "cancellation of cards" rather than "physical destruction", as card administrators are not always on site to facilitate the physical return of cards. Clause 4.5 updated to require the destruction of a cancelled purchasing card as soon as practicable, rather than immediately.
Public sector values and the Codes of Conduct, Extract 1: <i>Relevant requirements of the Code of Conduct for Directors</i>	1 June 2024	Updated to reflect the Victorian Public Sector Commission recent changes to the Code.

Section(s) Revised/updated/New	Date revision came into operation	Nature of revision/update
Throughout document	1 December 2024	References to the Assistant Treasurer have been replaced with Minister for Finance

Introduction

Background

1. The Standing Directions 2018 (Directions) are issued under section 8 of the *Financial Management Act 1994* (FMA). The purpose of the Directions is to achieve a high standard of public financial management, performance and sustainability in the Victorian public sector.
2. The Directions have been established to assure the community and Parliament that Agencies are managing the resources of the State responsibly. However, the Directions consist of a complex, comprehensive list of requirements designed as a 'one size fits all' approach to financial management compliance that does not account for the varying size and risk profiles of portfolio Agencies.
3. Direction 1.5 *Exemptions* allows for exemptions from the Directions to be sought from the Minister for Finance. For an Agency to seek a full exemption from the Directions, the portfolio department is required to establish an alternative framework and seek the exemption on behalf of the Agency.
4. The Department of Energy, Environment and Climate Action's (DEECA) Portfolio Financial Management Compliance Framework (PFMCF) provides an alternate financial management framework to the Directions. The framework enables DEECA, on behalf of eligible portfolio Agencies, the means to apply for an exemption from the requirements of the Directions and Instructions.

Summary of DEECA's PFMCF

Where a department has developed an alternative financial management framework to enable exemption from the Directions for its eligible portfolio Agencies, the Department of Treasury and Finance (DTF) requires the alternative framework at a minimum to cover the following requirements:

- general financial management accountabilities and responsibilities for key staff (CEO/CFO) and Responsible Body members
- effective financial governance and oversight
- effective information gathering and record keeping
- appropriate systems, procedures and internal controls, such as those set out in Instruction 3.4 (including procurement)
- appropriate risk management, informed by the Victorian Government Risk Management Framework (VGRMF)
- where the agency manages assets, requirements to effectively manage the assets informed by the Victorian Government's Asset Management Accountability Framework
- where the Agency manages investments and/or liabilities, requirements to effectively manage these can be informed by the Treasury and Risk Management requirements under the Directions/Instructions
- planning and managing performance
- statutory reporting obligations e.g., annual reports, and
- compliance reporting to the Portfolio department.

Scope and Application of DEECA's PFMCF

Direction 1.2 stipulates the Directions and Instructions are mandatory for all Agencies (that is, Public Bodies and Departments as defined in the Directions). The DEECA PFMCF is applicable to those DEECA portfolio Agencies who are required to comply with the Directions and Instructions and have **been granted a full exemption by the Minister for Finance through the following approval process** (refer [Appendix 1: DEECA PFMCF Policy](#) and [Appendix 2: Application for exemption from the Standing Directions](#)). The following applies:

- submit a request for exemption to DEECA using the '[Application for exemption from the Standing Directions](#)' form to DEECA Finance, Infrastructure and Procurement Services division, via pefinance@deeca.vic.gov.au

- submit the form by March 1 in the year prior to seeking an exemption (i.e., 1 March 2021 for the 2021-22 compliance year)
- request reviewed by DEECA relationship manager
- request recommended by DEECA's Executive Director, Finance, Infrastructure and Procurement Services ¹
- request endorsed by DEECA's Secretary
- request approved by Portfolio Minister
- exemption granted by the Minister for Finance².

Notes:

1 Finance, Infrastructure and Procurement Services Division will facilitate required endorsements and approvals following submission of the completed exemption application.

2 The approval may be granted with or without conditions and can be provided for a specified period or on an ongoing basis. Exemption requests are not required to be re-submitted each year unless specified by the Secretary or Minister for Finance.

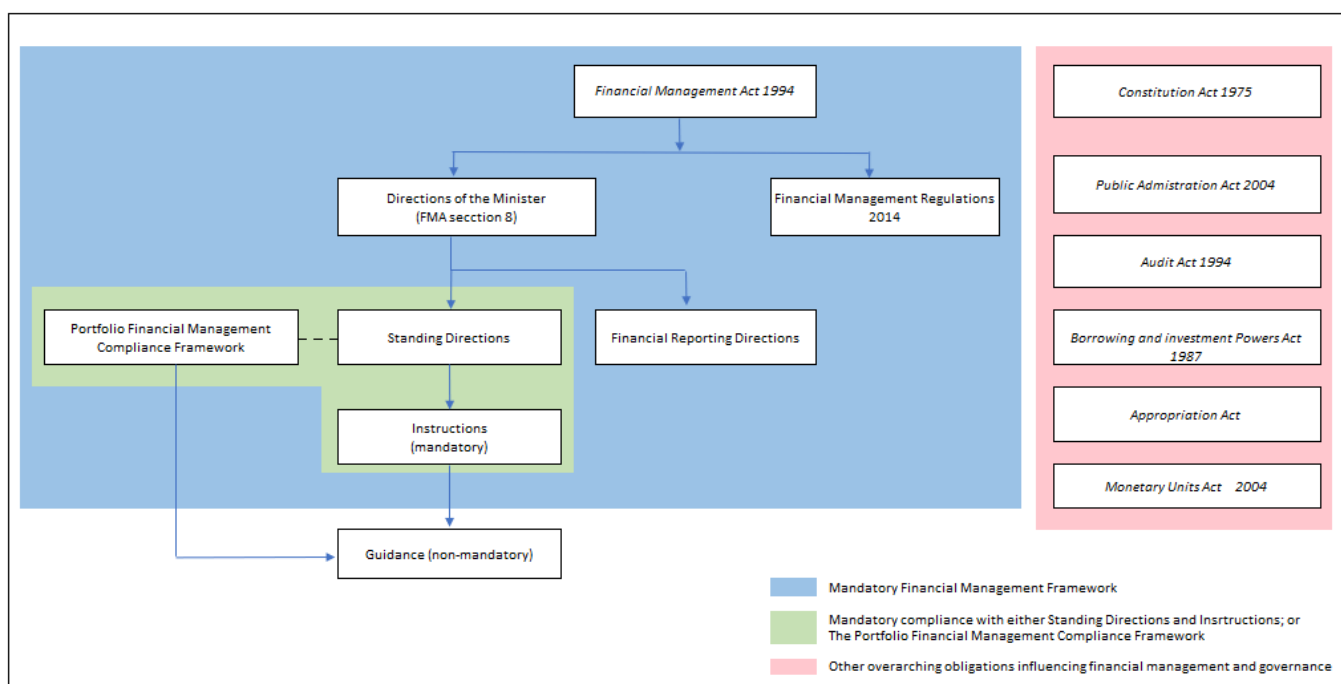
Upon approval from the Minister for Finance, applicable Agencies will be advised in writing of their status. The status of exempted Agencies will be reviewed annually by DEECA. It is the Responsible Body's responsibility to maintain compliance with the PFMCF where a full exemption from the Directions has been granted.

Agencies are required to notify the Secretary in writing, as soon as reasonably practical, if there is an alteration to their circumstances that would deem them no longer eligible for an exemption from the Directions and therefore, can no longer comply with the PFMCF. This will mean that the Agency will revert to complying with the Directions (and Instructions). In the future, if the Agency's circumstances were to change (or revert) again to make them eligible, they will be required to re-apply for compliance with the PFMCF. Additionally, the Secretary can at any time notify an Agency (in writing), that the Agency is no longer eligible for a full exemption from the Directions.

Applying other legislation, standards and policies

Where an Agency has been granted an exemption from the Minister for Finance (as per DEECA's PFMCF Policy), application of DEECA's PFMCF replaces an Agency's compliance obligations under the Directions and Instructions only. Application of the PFMCF **does not** preclude any Agency from any other legal obligation or policy outside the scope of the Directions and Instructions.

The following diagram illustrates the relationship between the Standing Directions, PFMCF and other overarching obligations.



Eligibility Criteria

Set out below are the minimum eligibility requirements that must be met for Agencies to seek an exemption from the Directions and apply the PFMCF:

Parameter	Criteria
Expenditure	Agencies with average annual expenditure >\$10m are not eligible to apply for exemption.
Risk profile	Complexity and risk levels have been and are expected to remain low. The low level of complexity in the majority of the Agency's critical operating parameters result in low financial risk (refer Appendix 2 for guidance on agency complexity and risk analysis)
Key audit findings	Agencies should not have or had key audit findings that might suggest deficiencies in the financial management and internal control system utilised by the Agency.
Direction compliance – past performance	Agencies should not have any outstanding material compliance deficiencies. Where a material compliance deficiency has previously been reported, this should be an isolated incident and not indicative of any systemic financial management control issues.
Assets, borrowings and investments	Agencies should have minimal assets and no borrowings or investments.

Public sector values and the Codes of Conduct

The Code of Conduct for Victorian Public Sector Employees describes the behaviours that exemplify the public sector values described in the Public Administration Act 2004. The Code of Conduct for Directors of Victorian Public Entities reflects the special role that members of a public entity board occupy.

The respective Codes are binding on public entity employees and office holders.

A failure to behave in ways described in the Codes may be considered misconduct, and in the most serious instances may lead to action under relevant performance management or misconduct processes, or for Directors, suspension or removal from office.

The extract from the Codes of Conduct outlined in Extracts 1 and 2 below are of relevance to the requirements of the PFMCF.

Extract 1: Relevant requirements of the Code of Conduct for Directors

Code of Conduct for Directors

2.4 Risk management and financial responsibility

The board plays an important role in overseeing the management of risks faced by a public entity. As part of this role, the board must:

- inform the portfolio department and Minister of known major risks to the effective operation of the entity and of the processes in place to address those risks
- ensure adequate controls are in place to prevent fraudulent behaviour
- ensure the entity's financial management system is adequate and designed to minimise processes that can lead to errors
- ensure financial statements or accounts are audited at regular intervals.

3.4 Care, diligence and skill Directors must exercise their powers with a reasonable degree of care, diligence and skill. They must:

- regularly attend board meetings
- understand the business of the public entity and the role of the board
- act responsibly in the best interests of the public entity when considering matters before the board.

3.10 Financial responsibility Directors must act in a financially responsible manner. They must exercise care in relation to public funds and assets and, if applicable, comply with:

- the Standing Directions of the Minister and the related Instructions • the Financial Management Compliance Framework.

Directors must:

- demonstrate due diligence through active monitoring of the public entity's financial accounts and financial position
- regularly review financial statements and management reports
- ask questions about the financial material put before the board, if that material is unclear or raises matters that may be of concern from a financial perspective
- understand the financial justification for decisions taken by the board
- vote to record their disagreement if they do not believe the financial implications are sufficiently clear or if a board resolution has financial implications that they consider imprudent.

3.11 Honesty and integrity Directors must act with honesty and integrity. As part of this requirement, they must:

- comply with laws, policies and generally accepted standards of behaviour
- give proper consideration to matters before the board
- express their views genuinely and make a reasonable effort to do so clearly and without ambiguity
- speak up when a decision or advice is being considered that may be detrimental to the public interest and vote to record their view.

Directors should also:

- be open and transparent in their dealings
- disclose to the board the information or considerations they relied upon in coming to their view if this will assist the board's decision-making.

Code of Conduct for Employees

Demonstrating Integrity

3.1 Honesty at work

Public sector employees act honestly in the performance of their duties. They are open and transparent when making decisions. They give honest advice based on available facts and data. They ensure their advice is up to date.

3.3 Financial Probity

Public sector employees observe the highest standards of integrity in financial matters and comply with the requirements of relevant financial management legislation, policies and procedures. They maintain a strict separation between work-related and personal financial matters and only use or authorise the use of public financial resources or facilities for work-related purposes.

Demonstrating Accountability

5.6 Compliance with Legislation

Public sector employees ensure they are aware of and comply with all legislation relevant to the performance of their duties.

Source: Victorian Public Sector Commission, *Code of Conduct for Directors of Victorian Public Entities & Code of Conduct for Victorian Public Sector Employees*

1. Purpose and application

1.1 Purpose

The purpose of this framework is to provide an alternate financial management compliance framework to the Directions and Instructions, that enable eligible DEECA portfolio Agencies to reduce their compliance burden while maintaining a high standard of public financial management, performance and sustainability in the Victorian public sector, consistent with the FMA.

1.2 Application

The requirements of the PFMCF are mandatory for all Agencies that have been granted a full exemption from the Directions and Instructions by the Minister for Finance on the basis DEECA's PFMCF applies in its place¹.

1.3 Commencement

This framework was approved by the DEECA Secretary on 11 May 2020 and became effective from 1 July 2020.

1.4 Definitions and interpretation

The definitions and interpretations used in the PFMCF are consistent with those listed in Direction 1.6 Definitions and interpretation.

1.5 Order of precedence

The order of precedence as outlined in Direction 1.7 applies to DEECA's PFMCF, noting that for the purposes of the PFMCF, the PFMCF specifically replaces sections (iii) Directions and (v) Instructions of Direction 1.7 only.

1.6 Part Exemption

The Secretary of DEECA may, in writing, exempt a person, an Agency, or a class of Agencies from a requirement of the PFMCF, noting the following:

1. The Agency is exempt from the time such determination is made, or from such later time as may be specified by the Secretary of DEECA in the determination.
2. An exemption under PFMCF may be with or without conditions and can be provided for a specified time/period or on an ongoing basis.
3. Exemptions will not normally be provided with retrospective effect.

The Accountable Officer of the Agency must:

- a. Prior to application, discuss their intention to apply for a part exemption of the PFMCF with DEECA Finance, Infrastructure and Procurement Services and the Agency's Relationship Manager
- b. ensure that an application for exemption under PFMCF 1.6:
 - i. is in writing²;

¹While DEECA's PFMCF follows a similar numbering convention to that of the Directions, the requirements of the PFMCF should not be used interchangeably with the Directions. Where there is a requirement under the PFMCF to apply the requirements as set out in the Directions, the PFMCF will explicitly direct this.

² Agencies seeking exemption from any part of the PFMCF should complete the relevant form – Appendix 3 Application for part exemption from the DEECA PFMCF.

- ii. states the reasons why the exemption is necessary; and
- iii. includes specification of proposed alternative action or procedures.
- c. ensure that any proposed alternative action or procedure is not implemented until after an exemption is provided,
- d. ensure that the Agency complies with any conditions applying to an exemption provided under PFMCF 1.6; and
- e. maintain a record of exemptions provided to their Agency under PFMCF 1.6, including any conditions upon which the exemptions were granted, and must make the record available for inspection when requested.

2. Roles and responsibilities

2.1 Overview of roles

Under the PFMCF:

- (a) the Responsible Body is ultimately responsible for the Agency's financial management, performance and sustainability, and is responsible to the Responsible Minister;
- (b) the Accountable Officer is responsible to the Responsible Body, and in some respects to the Responsible Minister;
- (c) the CFO is responsible to the Accountable Officer, and in some respects to the Responsible Minister;
- (d) Responsible Bodies, Accountable Officers and CFOs have various responsibilities to their Agency, to DEECA, and to DTF.

2.2 Responsible Body

The Responsible Body must:

- (a) ensure that government objectives and priorities, and relevant statutory purposes and functions, are furthered in a financially efficient, effective and economical way through:
 - (i) setting the Agency's strategic Direction and priorities;
 - (ii) approving related plans, budgets and policies;
 - (iii) approving major decisions related to strategic initiatives and policies;
 - (iv) overseeing the Agency's delivery of services and agency objectives and performance; and
 - (v) approving key accountability reports including the Annual Report and performance reports.
- (b) establish appropriate and effective financial governance and oversight arrangements and regularly review the effectiveness of those arrangements;
- (c) ensure the Agency implements Victorian government policy frameworks relating to the requirements of the FMA and the associated sections of the PFMCF;
- (d) keep the Responsible Minister informed of Agency activities and strategic issues with potential financial implications for the State; and
- (e) for Agencies with a statutory board or equivalent governing body established by or under statute, conduct an annual review of their financial governance performance.

2.3 Accountable Officer

2.3.1 General responsibilities

The Accountable Officer must:

- (a) promote and regularly review the proper use and management of public resources for which the Agency is responsible;
- (b) establish and maintain an effective internal control system;
- (c) identify and manage the Agency's risks;
- (d) manage the Agency's financial information;
- (e) ensure the Agency plans and manages performance to achieve financial sustainability;
- (f) ensure the Agency's financial management compliance;
- (g) meet internal and external reporting and information provision requirements;

- (h) consult with the Responsible Body in relation to the appointment or the dismissal of the CFO;
- (i) provide assurance to the Responsible Body (or to the Audit Committee where applicable) on the integrity of the Agency's:
 - (i) budgets and financial projections; and
 - (ii) financial and performance reports;
- (j) provide the CFO with access to the Accountable Officer, to enable those positions to carry out their responsibilities
- (k) ensure any exemptions from the requirements under the PFMCF are sought and dealt with appropriately³.

2.3.2 Additional responsibilities

The Accountable Officer must, as soon as practicable:

- (a) provide the Responsible Minister any information related to financial management, performance and sustainability required by the Responsible Minister; and
- (b) notify the Responsible Minister of any significant issue of which the Accountable Officer is aware that has affected or may affect the Agency's or State's financial management, performance, sustainability, or reputation.
- (c) notify DEECA's Accountable Officer of any significant issue of which they are aware that has affected or may affect the Agency's or State's financial management, performance, sustainability, or reputation.

2.4 Chief Finance Officer⁴

2.4.1 Access to executive

The Chief Finance Officer (CFO) must have access to the Accountable Officer and the Responsible Body in carrying out the CFO's responsibilities.

2.4.2 General responsibilities

The CFO must:

- (a) prepare accurate information relevant to financial management, performance and sustainability;
- (b) establish and review accounting and financial information systems, governance and internal controls to safeguard the Agency's resources;
- (c) provide assurance to the Responsible Body and Accountable Officer that:
 - (i) financial reports (estimates and actuals) present fairly, and in accordance with applicable Australian Accounting Standards and the FMA, the Agency's financial position and operating results;
 - (ii) financial reports (estimates and actuals) are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Agency; and
 - (iii) the Agency's systems and controls for financial management, performance and sustainability are operating efficiently and effectively in all material respects;

³ Refer to section 1.6 Part exemptions

⁴ The PFMCF does not prohibit Agencies from outsourcing a CFO or prohibit the role from being undertaken by the Accountable Officer. Agencies are encouraged to refer to Guidance 2.4 Chief Finance Officer of the Directions for considerations on implementation of the CFO role under these circumstances.

- (d) provide strategic advice and options to support informed decision making and organisation strategy concerning the Agency's:
 - (i) financial implications of, and risks associated with, current and projected services and assets; and
 - (ii) future financial sustainability;
- (e) develop the Agency's financial management capability;
- (f) maintain a constructive relationship within the Agency, and with the Victorian Auditor-General's Office and other CFOs in related Ministerial portfolios;
- (g) provide quality and timely information to DEECA to meet portfolio reporting requirements;
- (h) support whole of government financial objectives and the principles of sound financial management;
- (i) support their portfolio Ministers in relation to the financial management of their Agency, including issues and risks that may have an impact on the relevant Minister's portfolio or the financial performance and position of the State;
- (j) establish and maintain an effective relationship with DEECA's CFO to promote the purposes of the relevant Ministerial portfolio;
- (k) Inform the CFO of DEECA of issues and risks that may have an impact on the financial performance and position of the State; and
- (l) Directly provide to DEECA factual financial information requested by the department to facilitate reporting and government decision making, within the time provided in the request.

2.4.3 CFO Expertise and qualifications

- (a) The CFO must:
 - (i) be suitably experienced;
 - (ii) hold a graduate or post graduate qualification in accounting or other relevant discipline granted by a recognised tertiary education provider; and
 - (iii) keep their knowledge and expertise up to date with developments in financial management including the Australian Accounting Standards.
- (b) A person that is temporarily acting in the role of CFO for a period no greater than four months is not subject to this requirement.

3. Governance

3.1 Effective financial governance

The Responsible Body must establish and maintain effective financial governance that includes:

- (a) an appropriate internal management structure and oversight arrangements for planning, managing and overseeing the financial operations, risks and opportunities of their Agency to achieve performance and compliance;
- (b) appropriate levels of resourcing and capability (including succession planning) to deliver their Agency's financial management, performance and sustainability obligations;
- (c) clear roles, responsibilities, accountabilities and delegations that are documented and communicated;
- (d) the development and implementation of policies and procedures to support the internal control system, in a way that is consistent with, and appropriate for, the sound financial management of their Agency's business operations;
- (e) the effective management and oversight of the Agency's financial management activities that are undertaken externally, including shared services arrangements and outsourcing to private sector providers;
- (f) effective relationships between stakeholders, committees of the Responsible Body and management;
- (g) cooperation with external parties, including other Agencies, to achieve common objectives; and
- (h) consideration of the effect of compliance burdens when developing and imposing requirements.

3.2 Oversight and assurance

The Responsible Body has oversight and assurance responsibilities as set out below. It may delegate this role to an Audit Committee if considered appropriate.

- (a) independently review and assess the effectiveness of the Agency's systems and controls for financial management, performance and sustainability, including risk management;
- (b) review annual financial statements and information in the report of operations on financial management, performance and sustainability before it is released to Parliament;
- (c) review and monitor compliance with the FMA, the PFMCF, and advise DEECA on the level of compliance attained;
- (d) review and monitor remedial actions taken to address Compliance Deficiencies;
- (e) maintain effective communication with external auditors (including the Auditor-General and the Auditor-General's duly appointed agents and representatives);
- (f) consider recommendations made by internal (where applicable) and external auditors relating to or impacting on financial management, performance and sustainability and the actions to be taken by the Agency to resolve issues raised; and
- (g) regularly review implementation of actions in response to internal (where applicable) or external audits, including remedial actions to mitigate future instances of non-compliance.

3.3 Financial authorisations

An Agency's Responsible Body must establish and maintain authorisations covering the creation of financial liabilities and obligations (including contingent liabilities and obligations) on behalf of that Agency.

- (a) The Responsible Body must ensure that their Agency's financial authorisations are:
 - (i) given a financial amount limit;

- (ii) appropriate for the efficient and effective conduct of the business of the Agency;
 - (iii) assigned to a specific position and that position is appropriate in relation to the amount being authorised;
 - (iv) given so as to cease immediately upon a substantial material change in the duties of the position;
 - (v) given to employees;
 - (vi) kept current and appropriate and regularly reviewed and updated as required; and
 - (vii) comprehensively maintained in a central record.
- (b) Section 3.3 shall apply in the following cases as though the person were an employee of the relevant Agency:
- (i) an employee of another Agency seconded to the relevant Agency under a formal agreement between the two Agencies;
 - (ii) an employee of another Agency undertaking responsibilities of the relevant Agency under the FMA, under a formal agreement between the two Agencies or in consequence of a determination of the Minister for Finance under section 53 of the FMA.

3.4 Internal control system

The Accountable Officer must establish an effective internal control system in relation to financial management, performance and sustainability, including financial, operational and compliance controls, to:

- (a) ensure effective and efficient Agency operations and processes;
- (b) safeguard resources and assets, and minimise Fraud, Corruption and Other Losses;
- (c) produce reliable internal and external reports; and
- (d) comply with applicable laws, regulations and standards.

The Accountable Officer must:

- (e) design, implement and communicate policies and procedures that meet the requirements in the PFMCF;
- (f) ensure the internal control system includes a control environment, risk assessment, monitoring and control activities appropriate to the risk and operational environment of the Agency;
- (g) conduct periodic reviews of those policies and procedures to reflect changes in business operations, technology and good practice trends in financial and risk management; and
- (h) ensure their Agency operations and processes comply with those policies and procedures.

3.5 Policies and procedures

The policies and procedures required under the DEECA PFMCF must cover, as a minimum, the requirements listed in Section 3.5.1 to 3.5.9 below⁵

3.5.1 Revenue

- (a) The Accountable Officer must ensure that the Agency's revenue is managed in accordance with the Agency's revenue policies and procedures, which must provide for:
 - (i) promptly, completely and accurately identifying, managing, recording and reporting of revenue;
 - (ii) the timely and appropriate write off of revenue; and
 - (iii) collecting and securing revenue.

⁵ DEECA provides model policies and procedures that can be utilised to assist compliance with this section of the PFMCF (<https://www2.delwp.vic.gov.au/boards-and-governance/financial-management>).

3.5.2 Financial assets and bank accounts

- (a) The Accountable Officer must ensure that the Agency's Financial Assets and bank accounts are managed in accordance with the Agency's financial management policies and procedures, which must provide for:
 - (i) promptly, completely and accurately identifying, collecting, securing, investing, banking and forecasting financial assets; and
 - (ii) accurately recording transactions involving financial assets.
 - (iii) the approval of all opening and closing of bank accounts by the Responsible Body;
 - (iv) where applicable, the opening and maintenance of a Central Banking System account with the approved Authorised Deposit-Taking Institution under the State's Banking and Financial Services and State Purchase Contract;
 - (v) opening of bank accounts with an Authorised Deposit-Taking Institution(s) or CBS⁶;
 - (vi) effective and efficient operations of bank accounts; and
 - (vii) at least monthly reconciliation of bank accounts.

3.5.3 Expenditure

- (a) The Accountable Officer must ensure that the Agency's financial assets are managed in accordance with the Agency's expenditure policies and procedures, which must provide for:
 - (i) promptly, completely and accurately identifying, managing, recording and reporting of expenses; and
 - (ii) the timely and appropriate payment of expenses.
- (b) The Accountable Officer must ensure that the Agency develops policies and procedures to address the following expenditure types:
 - (i) travel;
 - (ii) advertising and communications;
 - (iii) employee advances;
 - (iv) personal expense reimbursement;
 - (v) capital expenditure;
 - (vi) where applicable, remuneration of boards (Responsible body), statutory bodies and advisory committees; and
 - (vii) ex-gratia payments.

3.5.4 Payroll

- (a) The Accountable Officer must ensure that the Agency's payroll is managed in accordance with the Agency's payroll policies and procedures, which must provide for:
 - (i) bona fide payment to employees, including recoupment of over payment of salaries;
 - (ii) correct payment made based on the rate in accordance with any written law, industrial award or industrial agreement, and for hours worked;
 - (iii) prompt authorisation and disbursement of all deductions;
 - (iv) an appropriate level of security for payroll distribution (including independent review prior to processing); and
 - (v) applying the Victorian Government's *Pricing for Value Guide* to the costs associated with voluntary payroll deductions from gross pay.

⁶ As applicable to the Agency

3.5.5 Liabilities

- (a) The Accountable Officer must ensure that the Agency's liabilities are managed in accordance with the Agency's liability policies and procedures, which must provide for identifying, managing, recording and reporting of liabilities and commitments for capital expenditure, and any treasury risks in a prompt, complete and accurate manner.

3.5.6 Taxes

- (a) The Accountable Officer must ensure that the Agency's taxation obligations are managed in accordance with taxation law and the Agency's taxation policies and procedures, which must provide for:
 - (i) the prompt preparation and submission of taxation returns/statements;
 - (ii) maximising of cash flows from tax entitlements; and
 - (iii) informing DEECA of issues and risks relating to Commonwealth taxation obligations and concessions that are not unique to their own Agencies and which have potential portfolio-wide implications.

3.5.7 Shared or outsourced services

- (a) The Accountable Officer must ensure that the Agency's shared services and outsourcing arrangements, related to financial management, are effectively managed, including by:
 - (i) prior to sharing or outsourcing functions either in full or part, the costs and benefits are analysed, and the decision is approved by the Responsible Body;
 - (ii) the services to be provided are detailed in a contract, service level agreement or equivalent, together with performance indicators and measures;
 - (iii) performance is regularly monitored and reviewed, including a review (at least annually) by the Accountable Officer or delegate, with the results of the review reported to the Responsible Body;
 - (iv) appropriate assurance is obtained, and the level of assurance is documented, annually; and
 - (v) the arrangements are subject to internal and external audit scrutiny.

3.5.8 Gifts, benefits and hospitality

- (a) The Accountable Officer must ensure that the Agency develops policies and procedures that apply the minimum accountabilities set out in the Victorian Public Sector Commission's Gifts, Benefits and Hospitality Policy Framework.

3.5.9 Purchasing and prepaid debit cards

- (a) The requirements set out under Instruction 3.6 Purchasing cards apply to the DEECA PFMCF (refer Appendix 7 Instruction 3.6 Purchasing cards).

3.6 Fraud, Corruption and Other losses

The Responsible Body must:

- (a) take all reasonable steps to minimise and manage the risk of Fraud, Corruption and Other Losses; and
- (b) establish a Fraud, Corruption and Other Losses prevention and management policy relevant to the size and risk profile of the Agency, that is implemented across the Agency.

The Accountable Officer must:

- (a) keep records of all actual and suspected Fraud, Corruption and Other Losses, including remedial actions planned and taken; and

- (b) on request, provide their Responsible Minister or DEECA or Audit Committee with a copy of records kept under this requirement.

Where an Agency is made aware of an actual or suspected Significant or Systemic Fraud, Corruption or Other Loss, the Accountable Officer must:

- (a) notify, as soon as is practicable, the Responsible Minister, DEECA and the Auditor-General of the incident and remedial action to be taken;
- (b) ensure that the persons notified under this requirement are kept informed about the incident, including the outcome of investigations; and
- (c) ensure that the Agency takes appropriate action to mitigate against future Fraud, Corruption and Other Losses⁷.

The Fraud, Corruption and Other Losses prevention and management policy must:

- (a) outline the Agency's systems for the prevention, management and tolerance of Fraud, Corruption and Other Losses;
- (b) provide for a control environment to mitigate the risk of Fraud, Corruption and Other Losses;
- (c) provide for a control environment to identify and manage incidents of Fraud, Corruption and Other Losses;
- (d) include processes for the investigation of actual and suspected incidents of Fraud, Corruption and Other Losses; and
- (e) include a requirement and process for recording all actual and suspected incidents of Fraud, Corruption and Other Losses.
- (f) The Fraud, Corruption and Other Losses prevention and management policy must include a defined value threshold, above which an actual or suspected Fraud, Corruption or Other Loss is considered 'Significant' for the purpose of reporting under the PFMCF. The threshold must not exceed \$5,000 in money or \$50,000 in other property.

3.7 Managing risk

3.7.1 Risk management framework and processes

The Responsible Body must ensure that the Agency applies a risk management framework, processes and strategies relevant to the Agency's size, risk profile and complexity of operations. This is to ensure risks, including business continuity management, are actively monitored and managed. The framework and processes are to be consistent with applicable minimum requirements as set out in the Victorian Government Risk Management Framework.

3.7.2 Central banking system and eligible financial assets

- (a) The Responsible Body must ensure that all financial assets of the Agency are deposited into bank accounts provided under the State Purchase Contract, Central Banking System, except:
 - (i) notes and coins;
 - (ii) money held in a transactional bank account with an Authorised Deposit-Taking Institution, provided that the balance of that account at any given time is minimised and does not exceed an amount that the Agency reasonably considers necessary to meet its daily cash flow requirements (taking into consideration that money held in the CBS is at call);
 - (iii) money held on trust by the Agency for, and repayable to, a known beneficiary (other than the State or an Agency) pursuant to a statutory function; or
 - (iv) where the Minister for Finance has provided an exemption.

⁷ Where required by law, the Independent Broad-based Anti-Corruption Commission must also be informed. See the *Independent Broad-based Anti-Corruption Commission Act 2011*.

- (b) The Responsible Body must ensure that any money to which requirement (a) (iv) applies is deposited with:
 - (i) Treasury Corporation of Victoria; or
 - (ii) Victorian Funds Management Corporation, or as otherwise specified by the Treasurer where an exemption applies.

3.8 Managing financial information

The Accountable Officer must ensure that the Agency applies relevant legislation, standards and policies in relation to the management of financial information, including financial information systems.

4. Delivering services

4.1 Planning and managing performance

The Accountable Officer must:

- (a) ensure that the Agency plans and manages performance to achieve financial sustainability based on its business, regulatory, governance and funding arrangements;
- (b) prepare short and longer-term plans, budgets and financial projections;
- (c) consider government objectives and priorities and statutory functions in planning and managing financial related performance;
- (d) allocate resources to deliver against the Agency's plans and strategies efficiently, effectively and in a timely manner;
- (e) establish systems to regularly monitor, evaluate and report on the Agency's financial related performance;
- (f) ensure the availability of financial and financial related information about the Agency that is relevant, appropriate and fairly represents actual performance, including as against key performance indicators and associated targets; and
- (g) inform the Responsible Body on financial management plans, policies, strategies, risks and resolutions regularly, and performance against plans at least quarterly.

4.2 Using and managing public resources

4.2.1 Acquisition of assets, goods and services

In relation to the acquisition of assets, goods and services, the Accountable Officer must ensure that the Agency:

- (a) establishes, maintains and embeds appropriate governance arrangements;
- (b) is efficient, effective and economical;
- (c) has appropriate processes in place covering the acquisition lifecycle;
- (d) applies relevant requirements of the *Asset Management Accountability Framework* to the risk profile of the Agency (e.g., maintaining an asset register with information to identify, monitor and record the condition of their organisation's assets);
- (e) has appropriate capability to manage the acquisition throughout the asset lifecycle;
- (f) is able to demonstrate that any financial commitment, obligation or expenditure delivers value for money for the Agency and/or the State;
- (g) when acquiring assets, goods and services ensures that the Agency applies relevant legislation, standards, policies and manages risks appropriately.
- (h) where it is not onerous to do so, the Agency can elect to encourage staff engaged in the procurement of goods and services to comply with all, or part, of the supply policies issued by the Victorian Government Purchasing Board (VGPB) in accordance with section 54L of the FMA.

5. Compliance and reporting

5.1 Financial management compliance

5.1.1 Financial management compliance framework

The Responsible Body must establish a framework for financial management compliance to ensure compliance with:

- (a) the FMA, the Financial Reporting Directions (FRD) and the PFMCF;
- (b) applicable Commonwealth and State laws relating to financial management; and
- (c) applicable industry codes and standards relating to financial management.

5.1.2 Annual assessment of financial management compliance

- (a) The Responsible Body must conduct an annual assessment of compliance with all applicable requirements in the FMA and the PFMCF.
- (b) The Accountable Officer must provide a summary assessment on the level of compliance achieved to DEECA:
 - (i) by 15 September following the year reviewed, if the Agency has an annual reporting period of 1 July to 30 June;
 - (ii) by 15 March following the year reviewed, if the Agency has an annual reporting period of 1 January to 31 December; and
 - (iii) within 75 days of the final day of the year reviewed for all other Agencies.
- (c) The summary assessment required under this section is to identify:
 - (i) any compliance deficiencies and/or significant compliance risks of the Agency, including planned remedial actions and timeframes (refer [Appendix 4 DEECA PFMCF Compliance letter template](#) and [Appendix 5 DELPW PFMCF Financial Management Compliance Report](#)⁸).

5.1.3 Financial management compliance attestation

- (a) The Responsible Body, or a member of the Responsible Body, must, in the Agencies' Annual Report, in relation to the relevant financial year, attest to compliance with applicable requirements in the FMA and the PFMCF (refer to [Appendix 6 Annual report DEECA PFMCF compliance attestation template](#)).
- (b) The compliance attestation under section 5.1.3 (a) must relate to compliance for the entire period of the relevant financial year.

5.1.4 Dealing with and reporting compliance deficiencies

- (a) The Accountable Officer must take remedial action to address and mitigate the risk of recurrence of any Compliance Deficiency as soon as practicable.
- (b) The Accountable Officer must notify the Responsible Minister and the Accountable Officer of DEECA, of any Significant Compliance Risk, and of planned and completed remedial actions as soon as practicable.

⁸ The compliance assessment does not require completion of a comprehensive checklist and is to be exception-based reporting identifying any compliance deficiencies and/or significant compliance risks.

5.2 Annual reporting

5.2.1 Requirements

- (a) The Accountable Officer must implement and maintain a process to ensure the Agency's Annual Report is prepared in accordance with the FMA, DEECA's PFMCF, applicable Australian Accounting Standards and Financial Reporting Directions.
- (b) An Agency must publish its Annual Report on the Agency's or DEECA's public website.

5.2.2 Declaration in financial statements

- (a) An Agency's financial statements must include a signed and dated declaration by:
 - (i) the Accountable Officer;
 - (ii) subject to Section 5.2.2(c), the CFO; and
 - (iii) for Agencies with a statutory board or equivalent governing body established by or under statute, a member of the Responsible Body.
- (b) The declaration must state that in the joint opinion of the signing persons:
 - (i) the financial statements present fairly the financial transactions during the reporting period and the financial position at the end of that period; and
 - (ii) the financial statements have been prepared in accordance with applicable requirements in the FMA, the PFMCF and Australian Accounting Standards.
- (c) If an Agency's CFO (including an acting CFO) does not have expertise and qualifications in compliance with Section 2.4.3, or if an Agency does not have a CFO:
 - (i) the CFO must not sign financial statements; and
 - (ii) the Accountable Officer must ensure that the financial statements are instead signed by a person with the expertise and qualifications required under Section 2.4.3.

5.2.3 Declaration in report of operations

The report of operations must be signed and dated by the Responsible Body or a member of the Responsible Body.

5.3 External reporting and information provision

5.3.1 Agency reporting and information provision

The Accountable Officer must provide financial and financial related information:

- (a) requested by DEECA to support advice to the Responsible Minister;
- (b) requested by DTF to facilitate reporting and Government decision making, within the time provided in the request; and
- (c) relevant to DEECA and/or DTF on:
 - (i) any significant foreseeable issues that may affect Government decision making and/or the Agency's or the State's financial management, performance, sustainability or reputation as soon as practicable; and
 - (ii) any significant issues that have affected the Agency or the State's financial management, performance, sustainability or reputation as soon as practicable.
- (d) Information provided by the Accountable Officer under this requirement must be relevant, of sufficient quality and provided in a timely manner.

6. Appendices

Appendix 1: DEECA PFMCF Policy

Purpose

To outline the requirements that enables DEECA portfolio entities to seek an exemption from the Standing Directions 2018 (Directions) requirements as set out by the Department of Treasury and Finance (DTF) and apply the department's internal Portfolio Financial Management Compliance Framework (PFMCF).

Scope

These policy rules apply to DEECA portfolio agencies seeking an exemption from the existing requirements of the Directions, their portfolio agency relationship managers, and any other department employees responsible for monitoring compliance with the department's PFMCF.

Policy statements

Eligibility of portfolio agency to utilise department PFMCF and seek exemption from the Directions

1. All requests for exemption are to be submitted using the 'Application for exemption from the Standing Directions 2018' form (Appendix 2)¹ and:
 - must first be discussed with DEECA Finance, Infrastructure and Procurement Services division and Agency Relationship Manager
 - must be submitted to Finance, Infrastructure and Procurement Services by 1 March in the year prior to seeking an exemption (i.e., 1 March 2020 for the 2020-21 compliance year)²
 - reviewed by the DEECA relationship manager²
 - recommended by the DEECA's Executive Director, Finance, Infrastructure and Procurement Services
 - endorsed by DEECA's Secretary
 - approved by the Portfolio Minister
 - exemption granted by the Minister for Finance

Note¹ Finance, Infrastructure and Procurement Services Division will facilitate required endorsements and approvals following submission of the completed exemption application.

Note² The approval may be granted with or without conditions and can be provided for a specified period or on an ongoing basis. Exemption requests are not required to be re-submitted each year unless specified by the Secretary or Minister for Finance.

Below are the minimum requirements for entities to assess their eligibility:

Parameter	Criteria
Expenditure	Agencies with average annual expenditure >\$10 m are not eligible to apply for exemption.
Risk profile	Complexity and risk levels have been and are expected to remain low. The low level of complexity in the majority of the Agency's critical operating parameters result in low financial risk (refer Appendix 2 for guidance on agency complexity and risk analysis).
Key audit findings	Agencies should not have or had key audit findings that might suggest deficiencies in the financial management and internal control system utilised by the entity.
Direction compliance – past performance	Agencies should not have any outstanding material compliance deficiencies. Where a material compliance deficiency has previously been reported, this should be an isolated incident and not indicative of any systemic financial management control issues.
Assets, borrowings and investments	Agencies should have minimal assets and no borrowings or investments.

Approval to apply requirements of the DEECA PFMCF

1. All approvals to apply the PFMCF are subject to the Minister for Finance' approval of an exemption from the requirements of the Directions and Instructions.
2. All requests to apply the PFMCF and seek exemption from the Directions will be coordinated by the Finance, Infrastructure and Procurement Services division. Agencies should not directly seek approval from the Minister for Finance for an exemption from the full requirements of the Directions.
3. Agencies are required to notify the Secretary in writing, (as soon as reasonably practical) if there is an alteration to their circumstances that would deem them no longer eligible for an exemption from the Directions. Additionally, the Secretary can at any time notify an Agency, in writing, that the Agency is no longer eligible for exemption from the Directions.

Additional guidance

Partial Exemptions from the Directions

- This policy does not cover requests for partial exemptions from specific requirements of the Directions and Instructions. Agencies are required to follow existing practices and, in consultation with their relationship manager, submit requests directly to DTF for consideration.

Appendix 2: Application for exemption from the Standing Directions

{Agency Letterhead}

File No.

{Insert DEECA CFO name}

Executive Director, Finance, Infrastructure and Procurement Services
Department of Energy, Environment and Climate Action
PO Box 500
EAST MELBOURNE VIC

Dear {insert DEECA CFO name},

Application for exemption: Standing Directions 2018

As the Accountable Officer of the {Agency}, I write to request DEECA seek an exemption for the {Year} compliance year and future years from the requirements of the Standing Directions 2018 (Directions) on behalf of {Agency}.

On approval of exemption from the Directions, the {Agency} Responsible Body will apply the requirements of DEECA's Portfolio Financial Management Compliance Framework in its place. The {Agency} notes this exemption request is subject to endorsement by DEECA's Secretary, {Portfolio Minister} and approval by the Minister for Finance.

Agency background

The Agency legal entity is that of {please state under what legislation etc your agency has been set up and the purpose/objective of your agency} ... {briefly outline Agency governance arrangements, below paragraph is an example – amend to suit Agency}

{Agency to amend as appropriate} To maintain its independence and operate economically, the {Agency} maintains an operating model that effectively outsources its Finance, IT and HR functions to {Department/Agency}. The outsourced functions include supplier payments, payroll and tax compliance. The {Agency} budget consists of operating expenses only. The {Agency} does not own significant assets, collect revenue or assume debt include other factors as applicable to the agency's financial management).

The Agency has (No.) direct employees. The {No.} employees are employed in ongoing full-time positions that come under the Public Administration Act 2004 (Vic). All staff are paid via the {Department/Agency} payroll.

[Details of any previous or existing exemptions of the Agency]

Agency complexity and risk analysis

The {Agency} operates in a low complexity environment as summarised in the following table. The low level of complexity in the majority of the {Agency} critical operating parameters result in low financial risk.

Parameter	Details	Complexity
Budget management	<p>The {year} expenditure budget is \$ _____.</p> <p>The {Agency} does not collect external revenue.</p> <p>A copy of {Agency} {year} budget is attached.</p>	Low
FTE employees	The {Agency} has {No.} FTE positions of which {No.} are currently filled.	Low / Moderate
Assets, borrowings and investments	<p>Total assets {year} \$</p> <p>Total investments {year} \$</p> <p>Total borrowings {year} \$</p>	Low
Significant transactions with third parties and financial authorisations	<p>Over ____% of third-party transactions are less than \$50,000.</p> <p>All transactions up to \$50,000 require approval from the CFO.</p> <p>Transactions above this amount require approval of the CEO.</p>	Low
Purchasing, prepaid debit cards and petty cash	Agency employees hold {No.} corporate purchasing cards.	Low

Rationale for exemption in {Year} and future years

Further, I outline the following mitigating factors and alternative actions to ensure that no aspect of financial management will be compromised if an exemption from the Standing Directions is granted to {Agency}:

- 1) as a {No.} member corporate body structure, the Directions will not create a meaningful improvement in overall governance. They will increase the costs of compliance as a result of {outline specifics to Agency, i.e., committing extra resources} to meet the full requirements of the Standing Directions;
- 2) the {Agency} public profile, complexity and risk levels have been and are expected to remain low; and
- 3) there have not been any key audit findings or outstanding material compliance deficiencies that might suggest deficiencies in the financial management and internal control system utilised by {Agency}.

Should you or your officers wish to discuss the matter, please contact me at {phone number}.

Yours sincerely,

[Insert Accountable Officer name]

[Insert position title]

[Insert Portfolio Agency name]

Appendix 3: Application for part exemption of the DEECA PFMCF

{Agency Letterhead}

File No.

Mr John Bradley
Secretary
Office of the Secretary
Department Energy, Environment and Climate Action
PO Box 500
EAST MELBOURNE VIC 8002

Dear Mr Bradley,

Application for exemption from section {state section number} of the DEECA PFMCF

As the Accountable Officer and {add title here} of the {agency name} I write to seek an exemption from the requirements of {section xxx} of the DEECA PFMCF for compliance year xxxx-xx and future years.

The {agency name} was granted a full exemption from complying with the Standing Directions and Instructions and was approved to comply with the DEECA PFMCF on {date}. The {agency name} has confirmed, as per the existing processes, that they have established and maintained alternative arrangements to ensure that no aspect of financial governance is compromised, that it has not undergone any significant change to its risk profile and functions and has not identified any key audit finding that might suggest deficiencies in its financial management and internal control systems. The {agency name} continues to comply with the DEECA PFMCF.

Rationale for exemption in {state compliance year} and future years

{state the reason why the exemption is necessary – addressing associated risk (if any)}

Should you or your officers wish to discuss the matter, please contact {contact name} on phone: xxxx xxx xxx.

Yours sincerely,

{Insert Accountable Officer name}
{Insert position title}
{Insert portfolio agency name}

Appendix 4: DEECA PFMCF Compliance letter template

{Agency Letterhead}

File No.

Mr John Bradley
Secretary
Office of the Secretary
Department Energy, Environment and Climate Action
PO Box 500
EAST MELBOURNE VIC 8002

Dear Mr Bradley,

Financial management compliance report {insert compliance year format 20xx-xx }

In accordance with Section 5.1.2 of DEECA's Portfolio Financial Management Compliance Framework (PFMCF),

an annual assessment of compliance with all applicable requirements in the *Financial Management Act 1994* and DEECA's PFMCF has been conducted for the 20xx-xx compliance year and is now submitted for your attention.

In addition, I confirm that policies, procedures and monitoring systems are in place to provide assurance to the board about compliance with government integrity policies on gifts, benefits and hospitality, travel and personal expenses and conflicts of interest.

Yours sincerely,

{Insert Accountable Officer name}

{Insert position title}

{Insert portfolio agency name}

Cc Joel M Townsend
Manager Portfolio Budget Management
Finance, Infrastructure and Procurement Services
Corporate Services
Department of Energy, Environment and Climate Action

**Must be addressed to the Department Secretary*

***Portfolio Compliance Manager to be cc'd in*

OFFICIAL
Official

Appendix 5: DEECA PFMCF Compliance Report

DEECA Portfolio Financial Management Compliance Report

for the financial year ending 20XX-XX

Portfolio Agency:

[Name of the Agency]

Portfolio Department:

DEPARTMENT OF ENERGY, ENVIRONMENT AND CLIMATE ACTION

(DEECA)

Section 1: Process undertaken to achieve level of compliance

In accordance with the DEECA Portfolio financial management compliance framework (PFMCF) the following has been achieved for the compliance year (tick as appropriate):

- An annual assessment of compliance has been completed.

☐
- Compliance for each mandatory requirement is being effectively managed.

☐
- Any unacceptable risk relating to these requirements has been treated appropriately.

☐
- Compliance with all applicable requirements has been achieved, with the exception of those items identified in Section 2.

☐
- The Responsible Body (or Audit Committee where applicable) has reviewed and monitored remedial actions taken to address compliance risks.

☐
- The attestation statement for the compliance year, to be included in the annual report, has been completed by

[Name of member of the Responsible Body & position] on behalf of [Name of the Agency/Responsible Body] in the prescribed form.

☐

Additional comments (if required e.g., where a process has not been undertaken):

Section 2: Compliance deficiencies and significant compliance risks

In the following table **identify and detail** any areas of the PFMCF that present non-compliant and if there is a significant compliance risk to the Agency, why it is significant and the strategies to manage the risk. A significant compliance risk has the **potential** for both financial and/or reputational loss due to failure to comply with the PFMCF. A significant compliance risk is not necessarily a deficiency (which is an actual instance of non-compliance). However, compliance deficiencies may be an indicator of a compliance risk.

Compliance deficiencies (reference to PFMCF)	Is the deficiency significant? Why the deficiency represents a significant risk to the Agency	Key strategies to ensure the compliance deficiencies and any significant risks are being managed effectively
[Insert details]	[Insert details]	[Insert details]

Section 3: Ad hoc Agency notifications

Notification of all actual or suspected Significant or Systemic Fraud, Corruption or Other Losses incidents during the compliance year

Where an Agency is made aware of an actual or suspected Significant or Systemic Fraud, Corruption or Other Loss, the Accountable Officer must:

- notify, as soon as is practicable, the Responsible (Portfolio) Minister, Audit Committee (where applicable), DEECA and Auditor-General of the incident and remedial action to be taken
- ensure that the persons notified are kept informed about the incident, including the outcome of investigations; and
- ensure that the Agency takes appropriate action to mitigate against future Fraud, Corruption and Other Losses.

‘Significant or Systemic’ means an incident, or a pattern or recurrence of incidences, that a reasonable person would consider has a significant impact on the Agency or State’s reputation, financial position or financial management.

Has your Agency notified any significant or systemic incidents to the relevant parties above during the compliance year?

Yes	<input type="checkbox"/>	<i>please provide details of any significant or systemic incidents notified and remedial actions taken in the table below.</i>
No	<input type="checkbox"/>	<i>no further action</i>

SPECIFY AGENCY DOLLAR THRESHOLD FOR SIGNIFICANT OR SYSTEMIC INCIDENTS					
Money [Add\$threshold]			Property [Add\$threshold]		
PFMCF Reference No.	Name/title of the specific requirement	Date have notified or will notify Portfolio Minister and other relevant parties	Date and details of actual or suspected Significant or Systemic Fraud, Corruption or Other Losses	Progress or outcome of investigation	Action to mitigate against future Fraud, Corruption or Other Losses by Agency
[Insert Ref No, if applicable]	[Insert details]	[Insert date]	[Insert date and details]	[Insert details]	[Insert details]

Signed

[Insert name]

[Insert Title e.g., Chair/Member of Audit Committee/Responsible Body]

[Insert Date]

Appendix 6: Annual report DEECA PFMCF compliance attestation template

Portfolio Financial Management Compliance Attestation Statement

I [name of member of the Responsible Body], on behalf of the Responsible Body, certify that the [name of the Agency] has been granted full exemption from the Standing Directions and Instructions under the *Financial Management Act 1994*. This exemption has been granted by the Minister for Finance on the basis [name of Agency] complies with the Department of Energy, Environment and Climate Action Portfolio Financial Management Compliance Framework.

Signature

Date

.....
Accountable Officer

....../....../.....

Appendix 7: Instruction 3.6 Purchasing cards

Background	The use of purchasing cards can result in significant benefits through a reduction in paperwork and streamlined purchase and reimbursement activities. Unauthorised use of these cards places the public sector's reputation at risk and may lead to financial loss for the State.
Effective date	1 July 2016
Relevant Direction	2.5 Delegations of responsibilities under these Directions 3.5 Fraud, Corruption and Other Losses 5.1 Financial Management Compliance
History	Last updated: 24 May 2024 Issued: 1 July 2016

4. Application

In this Instruction, clauses 2-3 and 7 apply to all purchasing cards. Clauses 4-6 apply to each purchasing card for which the cardholder is an employee of the relevant Agency (internal to VPS). Clause 8 applies to prepaid debit cards issued to the public.

For the purposes of this Instruction, a cardholder is a person authorised to use a purchasing card.

5. Purchasing cards – roles and responsibilities for the Accountable Officer

2.1 The Accountable Officer must:

- ensure that cardholders are aware that these cards are to be used for official business only, that is, purchasing goods and services for government purposes;
- consistent with the Directions, authorise the opening of a facility account on behalf of the Agency;⁹
- assign a program administrator to manage purchasing card programs;
- assign authorised signatories to review and approve transactions and payments;
- ensure the effective, efficient and appropriate use of each card facility by the Agency; and
- ensure effective internal controls are maintained for the issue, use and acquittal of the purchasing card to prevent unauthorised use and non-compliance.

6. Purchasing cards – roles and responsibilities for officials

3.1 For the purposes of this Instruction, the program administrator is the person assigned by the Accountable Officer under clause 2.1(c) and the authorised signatory is the person assigned by the Accountable Officer under Instruction 2.1(d).

3.2 The authorised signatory is responsible for reviewing and approving transactions and payments appearing on a cardholder's statements in accordance with this Instruction.

3.3 The authorised signatory must hold a financial authorisation.

3.4 Cardholders are responsible for using cards in accordance with this Instruction.

7. Internal purchasing cards – Issue and withdrawal

4.1 The program administrator must ensure that:

- only Agency employees¹⁰ are cardholders;
- each cardholder is authorised to use no more than one card of each card facility type;
- for purchasing cards other than prepaid debit cards:
 - a maximum purchasing card limit has been set for each cardholder. Purchasing card limits above \$50 000 must be approved by the Accountable Officer;
 - a maximum monthly limit and individual transaction limit has been set for each cardholder;
 - the individual transaction limit must not exceed the cardholder's financial authorisation; and

⁹ Note that there is a Banking and Financial Services State Purchase Contract that is mandatory for some Agencies and encouraged for others. See buyingfor.vic.gov.au/banking-and-financial-services-contract.

¹⁰ For the purposes of this Instruction, persons listed in Direction 2.5(d) may be considered to be employees of the relevant Agency.

- iv. where applicable, restrictions on the types of goods or services for which they cardholder may use the card have been imposed, for example, restrictions on domestic and overseas travel, hospitality and entertainment.
- (d) for prepaid debit cards:
 - i. cards must not be loaded with a value greater than \$5 000;
 - ii. cards must not be pre-loaded and stored unless there are sound security controls around the inventory storage, activation and issue of the cards; and
 - iii. individual transaction limits must not exceed the cardholder's financial authorisation. When the cardholder does not have a financial authorisation, the authorised signatory is responsible for the use of the card and all expenditure incurred; and
- (e) debit cards other than prepaid debit cards are not issued. Cards linked directly to a bank account are covered by Direction 3.4 and Instruction 3.4 and not by this Instruction.

4.2 A cardholder must report immediately to the program administrator and the card provider:

- (a) the loss or theft of the cardholder's purchasing card; and
- (b) if the cardholder knows or suspects unauthorised transactions have been made by a third party, this fact, along with the reasons for such knowledge or suspicion.

In both cases the program administrator must take action to cancel the card.

4.3 The program administrator must ensure that a framework, approved by the Agency Accountable Officer, is in place for dealing with unauthorised use or non-compliance by a cardholder. The framework must state that a purchasing card is to be withdrawn when the cardholder incurs:

- (a) an unauthorised transaction exceeding the amount deemed appropriate by the Agency Accountable Officer. The amount deemed appropriate must not exceed \$1 000.
- (b) a pattern of unauthorised use or non-compliance. The pattern must not exceed three separate instances.

4.4 The program administrator must ensure the purchasing card is cancelled with the card provider at the end of the period for which the card was issued or when changes to the cardholder's employment status or other business requirements result in the use of the card being no longer required. For physical purchasing cards, the cardholder must, as soon as practicable, either return the cancelled card or provide a documented attestation or other relevant documented evidence of its destruction, to the program administrator, under the circumstances outlined in this clause.

4.5 The program administrator must cancel a purchasing card returned under clause 4.4 of this Instruction as soon as practicable.

4.6 For prepaid debit cards returned under clause 4.4 of this Instruction, the Agency must establish appropriate procedures to manage the cancellation (including the return of any remaining prepaid amount to the Agency) or reuse of prepaid debit cards.

8. Internal purchasing cards – use

5.1 A cardholder must only use the purchasing card for official business, and consistently with all applicable legislation, standards and policies of the Government and the Agency.

5.2 In using and administering a purchasing card, a cardholder must:

- (a) always act in the interests of the State, as opposed to personal interests or convenience; and
- (b) perform their duties honestly and with skill and care.

5.3 A cardholder must not use a purchasing card:

- (a) to obtain cash, except for prepaid debit cards, where cash may only be obtained if the Accountable Officer has authorised the use of the card for this purpose;
- (b) for purchases for which payment is to be covered by another arrangement or facility applicable to the Agency, including another type of purchasing card (e.g., where the cardholder is authorised to use a fuel card, fuel is not to be purchased using any other type of purchasing card);
- (c) to pay for an expense when reimbursement has been made (or will be made) to the cardholder for that same expense (for example, travel expenses);¹¹
- (d) to pay fines;
- (e) for gifts and hospitality purposes other than in accordance with the Agency's gifts, benefits and hospitality policies and processes and the Gifts, Benefits and Hospitality Policy Guide issued by the Victorian Public Sector Commission and approved by the authorised signatory;

¹¹ For example, accommodation expenses must only be claimed once.

- (f) for the payment of tips or gratuities, except in countries other than Australia, to the minimum extent expected in accordance with common practice in the country;
- (g) for total expenses within one month that exceed the monthly limit; or
- (h) for personal transactions.

5.4 If a cardholder inadvertently incurs private expenses, for example, as part of a larger official business purpose transaction, the cardholder must notify the Agency and reimburse it for all such private expenses as soon as practicable.

5.5 The program administrator must ensure cardholders:

- (a) acknowledge and agree with the responsibilities, liabilities and consequences of unauthorised use; and
- (b) understand the policies and procedures established for card use.

5.6 The cardholder will be held personally liable for any unauthorised use unless the unauthorised use results from the card being lost or stolen, or because of Fraud on the part of a third party.

5.7 The Accountable Officer must establish specific policies to ensure prepaid debit cards are used for business purposes only.

9. Internal purchasing card payment – acquittal

6.1 A cardholder must review and sign-off the monthly purchasing card statement or transaction report for completeness and accuracy, by matching transactions with sufficient supporting documentation and receipt of goods and services.

6.2 The authorised signatory must review and approve the monthly statement or transaction report. Discrepancies with the cardholder or card provider must be resolved in a timely manner.

6.3 Agencies using electronic procurement must issue specific policies to ensure requirements for signatories and sufficient documentation are met and can be audited.

10. Reporting of significant instances of purchasing card non-compliance

7.1 The program administrator must define a value threshold, above which an actual or suspected Fraud, Corruption or Other Loss in relation to purchasing cards is considered 'significant' for the purpose of Direction 3.5.3.¹² The threshold must not exceed \$1 000.

11. Prepaid debit cards issued to the public

8.1 When prepaid debit cards are used to make payments of government benefits to the public¹³, the roles and responsibilities of the Accountable Officer and program administrator in clauses 1 and 2 of this Instruction applies.

8.2 In addition, the program administrator must ensure that:

- (a) clause 4.1(d)(i) and (ii) of this Instruction is complied with;
- (b) staff administering the Government's program to the public are fully aware and apply the Agency's policies and procedures for safeguarding, activating, issuing, monitoring and reconciliation of the cards, and the need for segregation of duties;
- (c) arrangements are made for the authorised signatory responsible for the program to be provided with a fully reconciled list of cards issued under that program; and
- (d) compliance monitoring of operations against policies and procedures is performed on a regular basis.

8.3 The authorised signatory responsible for the program must:

- (a) have the appropriate financial authorisation for the amount authorised; and
- (b) review and approve the reconciled list of cards issued for the program and the payments distributed.

12. Definitions

9.1 The following definitions apply to this Instruction:

- (a) **Authorised signatory** – means the person assigned by the Accountable Officer under Instruction 3.6, Clause 2.1(d) to be responsible for reviewing and approving transactions and payments appearing on a cardholder's statement.
- (b) **Cardholder** – means the person who has been issued with a purchasing card.

¹² Direction 1.6 includes a definition of 'Significant or Systemic'. The defined threshold in this Instruction only determines the meaning of 'Significant' in Direction 3.5.3 in relation to purchasing cards. Subject to Instruction 3.6.7.1, a different threshold for 'Significant' may be applied to purchasing cards by each Agency

¹³ For example, personal hardship grants in cases of emergencies/disasters.

- (c) **Card provider** – the approved supplier of the purchasing card facility account.
- (d) **Facility account** – the individual purchasing and settlement facility between the card provider and the Agency.
- (e) **Official business** – purposes that are in direct connection with, or a direct consequence of, the cardholder's functions and duties within an Agency.
- (f) **Purchasing card** – means any electronic facility which enables the person using it to commit a Public Sector Agency to pay for the provision of goods and services (i.e. general government purchasing card, corporate card, credit card, purchasing card facility, prepaid debit card, or virtual card, whether in Australian currency or a foreign currency), including a purchasing card issued by an Agency to the employee in the name of the Agency.
- (g) **Prepaid debit card** (also known as stored value card) – means a card which has money 'stored' via prepaid deposits made by a Public Sector Agency for use by the Agency and their employees for official business, or in the case of cards issued to the public for the benefit of the recipient of the card. The card must not link directly to a bank account or credit facility.
- (h) **Program Administrator** – means the person assigned by the Accountable Office under Instruction 3.6, Clause 2.1(c) to be responsible for the administration of purchasing and prepaid debit cards within an Agency.
- (i) **Unauthorised use** – any instance of non-compliance with section 4.3 of the Instruction by the cardholder or as a result of the card being lost or stolen or because of Fraud on the part of some third party.
- (j) **Virtual card** – means a facility or arrangement which has the characteristics of a purchasing card, except that no physical

Appendix 8: Useful links

Below are direct links to relevant legislations and rules:

- *Standing Directions 2018 under the Financial Management Act 1994*
<https://www.dtf.vic.gov.au/sites/default/files/document/Standing-Directions-2018.pdf>;

- *Financial Management Act 1994 (FMA)*
<https://www.legislation.vic.gov.au/in-force/acts/financial-management-act-1994/065>;

- *On Board – Governance guidance*
<https://www2.delwp.vic.gov.au/boards-and-governance/on-board>

On Board has support modules with model policies, guidance notes and other governance guidance to assist board members of DEECA agencies. On Board support modules are a 'one stop shop' for information and resources on key governance topics and include direct links to the topic on other websites.

- *Victorian Government Risk Management Framework and Insurance Management Policy*
<https://www.dtf.vic.gov.au/planning-budgeting-and-financial-reporting-frameworks/victorian-risk-management-framework-and-insurance-management-policy>

The *Victorian Government Risk Management Framework- August 2020* (VGRMF) provides a minimum risk management standard for the Victorian public sector. The Department of Treasury and Finance includes guidance on implementation of risk management through the VGRMF on its website.

- *Asset Management Accountability Framework*
<https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework>
The AMAF assists Victorian Public Sector agencies manage their asset portfolios and provide better services for Victorians.

- *Victorian Public Sector Commission's Gifts, Benefits and Hospitality Policy Framework*
<https://vpssc.vic.gov.au/resources/gifts-benefits-and-hospitality-resource-suite/>