# Setting up financial policies and procedures – A Guide for DEECA portfolio agencies





[deeca.vic.gov.au](file:///C%3A/Users/fionadurante/Downloads/deeca.vic.gov.au)

## Purpose

The purpose of this guide is to provide Boards of DEECA portfolio agencies with guidance on how they can set up financial policies and procedures to ensure they comply with the Victorian government financial management compliance framework.

This guide is general in nature and does not replace any other requirements that portfolio agencies are required to comply with or take into consideration when setting up financial policies and procedures.

## Background and context

### Why do we need financial policies and procedures in place?

Portfolio agencies are accountable for the use of public resources provided to them. In Victoria, the procedures and requirements for using public resources are set out in a series of statutes, which are supported by subordinate instruments such as regulations, directions, and instructions. They all form the Victorian Government’s financial management compliance framework. These instruments mandate effective governance and accountability in the Victorian public sector regarding financial and risk management, financial sustainability and financial performance measures.

One such instrument is the Standing Directions 2018 (Directions). The Directions are issued by the Minister for Finance (formerly, the Assistant Treasurer) under section 8 of the *Financial Management Act 1994* (FMA). These Directions make it explicit that establishing financial policies and procedures forms a part of the compliance requirements for portfolio agencies under the Victorian government financial management framework.

### The role of the Standing Directions

Victorian government agencies that are required to comply with the Directions are required to establish financial governance and oversight arrangements. The Department of Treasury and Finance (DTF) has information that government agencies can use to determine if they are required to comply with the Directions. To access this, click [here.](https://www.dtf.vic.gov.au/standing-directions-2018-under-financial-management-act-1994)

The Directions mandate standards for financial management accountability, governance, performance, sustainability, reporting and practice for portfolio agencies. Each agency is accountable to its Responsible Minister for its own financial management and reporting on the resources it uses. The Directions consist of:

* **Standing Directions** **2018** - mandatory compliance;
* **Instructions** **to the Standing Directions 2018 (Instructions)** are issued by DTF under delegated authority - also mandatory compliance; and
* **Guidance to the Standing Directions (Guidance)**is issued by DTF - non-mandatory compliance.

The **Instructions** are linked to specific Directions and provide more detailed requirements in specific areas of risk. They specify processes or procedures and provide a useful foundation from which agencies can develop their own specific policies and procedures.

The **Guidance**provides supporting information in relation to the interpretation and implementation of the Directions and Instructions. The Guidance is linked to specific Directions through corresponding numbering. Compliance is not mandatory.

The Instructions and Guidance documents should be referred to when formulating financial policies and procedures.

## Tools for setting up financial policies and procedures

The [Directions](https://www.dtf.vic.gov.au/standing-directions-2018-under-financial-management-act-1994), Instructions and Guidance (as described above) are key resources that all agencies should refer to when establishing financial policies and procedures to ensure they fully comply with their financial management obligations.

There are other resources available for portfolio agencies to use. These resources include central Government agencies, such as Business Services Victoria (BSV) or the Victorian Public Sector Commission (VPSC), that offer guidance and toolkits to support agencies in formulating and setting up financial policies and procedures. The DTF website also includes the Financial Reporting Directions (FRDs) which set out the government preferred policy on accounting applications; these are all mentioned below.

Portfolio agencies are encouraged to consult with their peers (other portfolio agencies) within the Victorian government public sector to explore existing financial management arrangements and seek to utilise their previously established financial policies and procedures.

Also available is the Innovation Network, a website supported by the Victorian Public Sector Commission (VPSC) aimed at Victorian Public Sector staff. It requires a simple account set-up process to join. To access the website, click [here.](https://innovationnetwork.vic.gov.au/) It provides access to connect and collaborate with people in the VPS, events to join and access to resources such as toolkits and programs. There are many groups to join and follow within the network including ‘Ways of working in the VPS Group’ that allows the opportunity to share information with other VPS agencies.

Below are *other useful links* that refer to resources that can be used to formulate financial policies and procedures. While some of these resources may be specifically designed to suit a certain agency type, they can be customised to suit your agency. While portfolio agencies are encouraged to view available information, these references are examples only. Agencies should consider their own needs and set up financial policies and procedures in line with their requirements taking into consideration applicable legislation (government or industry laws), other standards and policies relevant to them.

### Other Useful Links

*DEECA Policies and Procedures*

DEECA has financial policies and procedures documents that agencies can draw on to establish their own. These documents have restricted access, and agencies are encouraged to contact their portfolio governance support contacts at DEECA for more information.

*Financial Reporting Directions*

Further to the Directions, Instructions and Guidance documents, DTF have issued the Financial Reporting Directions (FRDs). The FRDs are prepared in accordance with the Australian Accounting Standards (AAS) and set the preferred approach, or accounting policy, for the whole of Victorian Government (WoVG) reporting agencies. Generally, this is where there is choice of application in the AAS. Considering this, agencies should be informed of the FRDs as it impacts the setting up of financial policies and procedures. More information on the FRDs can be found on DTF website accessed [here](https://www.dtf.vic.gov.au/financial-reporting-directions-and-guidance).

*Buying for Victoria*

Buying for Victoria website has a comprehensive guide on setting up policies and procedures around the procurement process. It also includes toolkits, a library and section on ‘Supply to government’. While the Supply to Government is aimed at suppliers, it highlights polices such as the Social Procurement Framework, Local Jobs First Policy and the Victorian Government Purchasing Board expansion policies (as mentioned earlier). It also includes some other areas such as motor vehicle policy, access link [here](https://www.buyingfor.vic.gov.au/standard-motor-vehicle-policy); and travel policy, access link [here](https://www.buyingfor.vic.gov.au/victoria-public-sector-travel-policy).

*Victorian Public Service Commission*

The Code of Conduct for Victorian public sector (VPS) employees is issued under order (section 7) of the *Public Administration Act 2004.* This code of conduct is relevant for all Victorian Public Sector employees and needs to be considered when setting up financial policies and procedures as it describes behaviours that exemplify the values of the VPS employees.

Following are two examples that have finance relevance: [Code of conduct for Victorian public sector employees - VPSC](https://www.vpsc.vic.gov.au/ethics-behaviours-culture/codes-of-conduct/code-of-conduct-for-victorian-public-sector-employees/), access link [here](https://www.vpsc.vic.gov.au/ethics-behaviours-culture/codes-of-conduct/code-of-conduct-for-victorian-public-sector-employees/); and [Gifts, benefits and hospitality - VPSC](https://www.vpsc.vic.gov.au/ethics-behaviours-culture/gifts-benefits-hospitality/), access link [here](https://www.vpsc.vic.gov.au/about-vpsc/updates-from-the-commissioner/gifts-benefits-and-hospitality-2/).

*Business Services Victoria*

The [Business Services Victoria website](https://business.vic.gov.au/tools-and-templates) offers tools and templates for setting up policies and procedures including a financial policies and procedures manual template. The information here is mostly geared to the private sector, however many can be readily applied by public sector agencies or amended to suit your agency requirements.

*Victorian Department of Health Website*

The [Department of Health](https://www.health.vic.gov.au/publications/policies-and-guidelines) provides a range of resources aimed specifically at public hospitals. The publication section of the website (policies, standards and guidelines section) includes several resources of a general administrative and/or finance nature which can be readily adopted by other public sector agencies including a model fraud, corruption and other losses policy.

*CPA Australia*

CPA Australia has resources that agencies can use. The [Financial Management and Governance Guide for Not-for-Profit (NFP) Organisations](https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/not-for-profit-and-public-sector/not-for-profit/cpaaom4315297x210financial-management-and-governance-guide-for-nfp-organisationsrgbweb.pdf?rev=2dade88336c047deac902f4b67937f0b) contains useful information. This is a comprehensive guide of considerations in forming policies and procedures including assessment checklists on risk management, cash handling, payroll and other internal controls.

## Maintaining effective financial policies and procedures

The following strategies and actions are suggestions that should be considered as ways to ensure that financial policies and procedures remain effective and up to date once implemented. This is not a prescribed nor an exhaustive list addressing maintenance or testing performance of financial policies and procedures once implemented. Agencies, as the Responsible Body, are accountable for implementing the required level of assurance/risk management assessment tools to ensure that their financial policies and procedures are adequate and in line with relevant legislative/statutory requirements.

**Responsibility and accountability for maintenance**

Direction 2.2 (b)sets out the overarching principles in establishing appropriate and effective financial governance and oversight arrangements and to regularly review the effectiveness of those arrangements.

The responsibility and accountability for the creation and maintenance of policy and procedure documentation should be clearly defined and reside within one, or more, roles which are appropriate having, regard to the knowledge and skills required. Typically, this would be a role/(s) for which the occupant is either required to, or would generally be expected to be, finance qualified.

**Regular review and updating**

A business process should be established that facilitates regular review of all framework documentation including supporting resources such as training materials. Typically, this would be annually, with provision for ad-hoc review and updating in response to any immediate needs or risks that might arise from time to time.

Documentation should include provision for easy identification of the date of the most recent review and update, what material changes were made, and the person or role who approved the changes.

Protocols should exist to promote awareness of changes once formally made/approved.

**Visibility and ease of access on internal intranets**

Policies and supporting resources should always be easily accessible to staff. Search functions should ensure that appropriate resources are located in response to the use of key and commonly used terms.

Links should be checked periodically to ensure they identify the correct current version of all relevant resources and that any withdrawn, redundant or prior versions are appropriately identified and removed or relocated to prevent staff from relying on them.

**Inclusion in Staff Induction Resources**

Awareness and coverage of key aspects of an agency’s financial management framework and business processes should be included in staff induction processes.

In relation to more critical or high-risk functions, such as roles which are able to approve expenditure or enter into contracts, consideration should be given to requiring completion of minimum training requirements before those functions are permitted to be carried out. This may include the need for periodic re-accreditation where the business process is subject to frequent change, or the nature of the activity is particularly considered at high-risk of non-compliance.

**Frequently Asked Questions (FAQ) artefacts**

FAQ artefacts can be an effective way of articulating matters which arise frequently or tend to be least understood by staff. FAQs can provide a handy way of responding to previous gaps in documented procedures pending formal periodic review of those artefacts. FAQs may be favoured where there is a preference to not have to regularly revise formal policy and procedure documents.

**Testing awareness and understanding with staff**

Management training and staff performance assessments may provide appropriate places and mechanisms to test awareness, understanding and compliance with policies and procedures.

**Benchmarking with other agencies**

Best practice standards are most effectively identified and followed by benchmarking with comparable agencies or agencies with similar framework requirements. Benchmarking also assists with preventing ‘*re-inventing the wheel*’. Refer to information above on networks available to portfolio agencies.

**Follow up of Audit Recommendations**

Ensure an effective business process is in place to follow up and respond to any material, adverse or high-risk matters identified through internal or external audits. Any material and/or high-risk matters should be further reviewed after a suitable period of operation to ensure the corrective measures taken have satisfactorily resolved the originally identified issue.

### Approval and review

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| Policy owner | Portfolio Budget and Financial Management Team |
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