Comparison of 2003 and 2016 Standing Directions

On 1 July 2016, the Standing Directions of the Minister for Finance 2003 (2003 Directions) will be replaced by the Standing Directions of the Minister for Finance 2016 (2016 Directions). This table illustrates where the 2003 Directions have been incorporated in the 2016 Directions, and gives a summary of what has changed. The table does not comprehensively describe the 2016 Directions, and should not be used as a substitute for reviewing them.

| 2003 Directions | 2016 Directions | What’s changed |
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| 1 Introduction |  |  |
| 1.1 Preliminary  1.2 Background | Introduction  1 Purpose and application  1.1 Purpose  1.2 Application  1.3 Commencement  1.4 Transitional arrangements  1.5 Exemptions  1.6 Definitions and interpretation  1.7 Order of precedence  4.1.2 Performance management in Portfolio Departments  4.3 Budget operations in Portfolio Departments  4.4 Financial reporting operations in Portfolio Departments | * The structure has changed from the 2003 mandatory Directions which included detailed mandatory procedures and non-mandatory guidelines to: * Mandatory comprehensive high level Directions, issued by the Minister for Finance; * Mandatory Instructions, issued by DTF, covering specific risks in more detail; and * Non-mandatory Guidance, issued by DTF to support interpretation and implementation of the mandatory requirements. * Clarifies application of Directions to offices headed by an Independent Officers of the Parliament (e.g. Victorian Auditor-General’s Office) and the Courts, taking into account their particular governance arrangements. * Includes a glossary and new definitions to enable better tailoring of requirements including ‘Portfolio department’, ‘Independent Officers’ and ‘Responsible Minister’. * Articulates a more succinct, targeted set of desired financial management objectives and key controls. These are the minimum requirements that apply to all agencies, but are intended to provide sufficient flexibility to allow agencies of different sizes and scope to tailor application. * Transitional provisions are included for certain new requirements, such as CFO expertise and qualifications, planning and performance management, attestation etc. * To reflect existing practice certain agencies (school councils, class B cemetery trusts, incorporated committees of management, VicSES registered units and CFA volunteer brigades) are excluded from the Directions, but are subject to appropriate financial management requirements established by their portfolio department or relevant agency. * Similar to the 2003 Directions exemptions may be sought in exceptional circumstances. * Explicit provision that agencies may develop systems procedures and practices tailored to their circumstances e.g. size and risk profile. * In the event of conflict between requirements e.g. legislation and Directions, an order of precedence is provided. * 2003 Directions provided a mandate for the DTF Deputy Secretary to issue ‘business rules’. These have been replaced with a number of frameworks applicable to portfolio departments, including budget and financial reporting operations and performance management. |
| 2 Financial management governance and oversight |  |  |
| 2.1 Financial code of practice | 3.1 Effective financial governance | * Replaces requirement to establish a financial code of practice with requirement to establish and maintain effective financial governance. Values and behaviours are important to achieving good governance outcomes, e.g. informed decision-making and effective financial governance and oversight. * Removes duplication with VPS Code of Conduct and VGPB procurement policies. |
| 2.2 Financial governance   * Audit committees | 2 Roles and Responsibilities  Instruction 2.3.4 - Portfolio relationships  2.5 Delegations of responsibilities under these Directions  3.1 Effective financial governance  3.2 Oversight and assurance  3.2.1 Audit Committee  5.1 Financial management compliance | * Retains and enhances existing obligations to establish effective financial governance. * Strengthens accountability by providing greater clarity around key roles and responsibilities for improving performance at the agency, portfolio and whole of government levels, including portfolio relationship requirements in DTF Instructions. * Consolidates requirements for delegation of responsibilities into a new delegations Direction 2.5 (compare 2003 Direction 2.4 Authorisations). * Strengthens Audit Committee requirements by moving them from procedures to a separate Direction and consolidating all Audit Committee responsibilities. * Consolidates non-compliance requirements with new financial management compliance Direction 5.1 (compare 2003 Direction 4.5.1 Compliance with Directions). |
| 2.3 Financial risk management | 2. Roles and responsibilities  3.1 Effective financial governance  3.2.1 Audit Committee  3.7 Managing risk | * Retains, refines and embeds existing obligations within the Directions for managing risk, roles and responsibilities, effective financial governance and audit committee. |
| 2.4 Authorisations | 2.5 Delegations of responsibilities under these Directions  3.3 Financial authorisations | * Retains and streamlines 2003 Direction on financial authorisations, and now includes requirements for delegation of responsibilities in a separate Direction 2.5. |
| 2.5 Internal audit | 3.2 Oversight and assurance  3.2.1 Audit Committee  3.2.2 Internal Audit  5.1.3 Detailed periodic review of financial management compliance | * Retains and enhances 2003 Direction, and introduces a mandated three to four year strategic internal audit plan. * Internal audit to be involved in detailed reviews of financial management requirements over the strategic plan period. |
| 2.6 External audit | 3.2 Oversight and assurance  3.2.1 Audit Committee | * Retains and streamlines 2003 Direction and consolidates into Audit Committee responsibilities. |
| 3 Financial management structure, systems policies and procedures |  |  |
| 3.1.1 Public sector agency financial management team structure | 2. Roles and responsibilities  3.1 Effective financial governance | * Retains 2003 Direction within new effective financial governance Direction 3.1, and defines financial management by the requirements in roles and responsibilities Direction 2. |
| 3.1.2 Chief Finance and Accounting Officer (CFAO) | 2.4 Chief Finance Officer (CFO) | * Retains and refines 2003 Direction, and elevates role of CFO to include a strategic component in addition to traditional role (compliance, operations and reporting) and requires CFO to have access to the Accountable Officer and Responsible Body. * Tertiary qualification mandated with transitional provisions. * Mandates an effective relationship between agency CFO’s and portfolio department CFO to promote the purposes of the portfolio. |
| 3.1.3 Policies and procedures | 3.1 Effective financial governance  3.4 Internal control system  Instruction 3.4 | * Consolidates 2003 Direction within the new internal control system Direction 3.4, which requires agencies to establish an internal control system (based on the components of internationally recognised COSO framework). See 3.4 Policies and Procedures for more detail below. |
| 3.1.4 Chart of accounts | Not directly specified | * Removes 2003 Direction, as establishing and maintaining a chart of accounts is standard practice in public and private sector entities. * Principle of having a chart of accounts is implicit within the CFO’s responsibilities of preparing financial information to discharge statutory obligations and advice to management. |
| 3.1.5 Managing outsourced financial services | 3.1 Effective financial governance, point (e)  4.2.1 Acquisition of assets, goods and services  Instruction 3.4, clause10 - Managing shared services and outsourcing arrangements | * Retains 2003 Direction for current and future contracts for assets, goods and services. * Embeds requirement for Responsible Body oversight of shared services in the effective financial governance Direction. * Specific requirements now in Instruction 3.4, clause10. |
| 3.2 Information technology systems  3.2.1 Information technology management  3.2.2 Information technology operations  3.2.3 Security  3.2.4 Development  3.2.5 Change control | 3.9 Managing Information | * Substantial change from detailed requirements (see discussion under 2003 Direction 3.4.13 information collection and management below). |
| 3.3 Education and training | 2.4 Chief Finance Officer  3.1 Effective financial governance | * Embeds requirements within the effective financial governance and CFO Directions. |
| 3.4 Policies and procedures  3.4.1 Revenue  3.4.2 Cash handling  3.4.3 Bank accounts  3.4.4 Cash flow forecasting  3.4.6 Expenditure  3.4.7 Employee costs  3.4.8 Commission on employee payroll deductions  3.4.10 Liabilities  3.4.11 Reconciliations | 3.4 Internal control system  Instruction 3.4. | * Introduces a separate and explicit expectation on the Accountable Officer to establish (and CFOs to implement and maintain) an effective internal control system in relation to financial management, performance and sustainability, including financial, operational and compliance controls. * Instruction 3.4 specifies a minimum list of areas for which policies and procedures must be developed, including (but not limited to) revenue, cash, expenditure and liabilities management (as per the 2003 Standing Directions). This allows all agencies to develop internal controls for key areas while allowing them the flexibility to implement their own procedures in line with their agency’s needs and risk profile. * Mandates under Instructions that the internal control system must set out the five components of internal control (control environment, risk assessment, control activities, information and communication and monitoring activities). This is consistent with, but does not mandate, the internationally recognised COSO Internal Control-Integrated Framework. * Mandates process requirements in the Directions and Instructions (including mandatory requirements in specified government policies and frameworks to be applied) for controls in those areas that are high risk (e.g. fraud corruption and other losses, managing financial information, assets management accountability and using and managing public resources). Other process requirements for the remaining internal controls are mandated in Instructions. |
| 3.4.5 Procurement | 4.2.1 Acquisition of assets, goods and services  Instruction 4.2.1 | * Requires agencies to establish and maintain governance arrangements and processes that will support achieving commercial acquisition principles including value for money, fair competition, market engagement, managing risks. * Shifts focus from solely procurement to the whole acquisition lifecycle of planning, acquiring, managing contract performance and evaluation. * Requires agencies to have appropriate capability through lifecycle. * Includes new contract specification and management requirements in Instructions. |
| 3.4.9 Physical and intangible assets | 4.2.3 Asset management accountability | * Shifts focus from compliance with Australian Accounting Standards (AAS) only to asset management across the life cycle based on Government’s Asset Management and Accountability Framework. |
| 3.4.12 Administration of discretionary financial benefits | 4.2.2 Discretionary financial benefits – grants, sponsorships and donations | * Retains the requirement for administering discretionary grants and other financial benefits. * Broadens and enshrines the application of the Government’s discretionary grants investment principles and sponsorship policy to maximise outcomes from these investments. |
| 3.4.13 Information collection and management | 3.9 Managing financial information | * Consolidates 2003 Directions 3.2.1-5 and 3.4.13, retaining the requirement for financial information management, including supporting financial systems and operations. * Does not contain the level of prescription of the 2003 Directions 3.2 and 3.4.13 or duplicate other requirements outside the FMA, but requires that financial information management for all agencies must align with relevant and applicable legislation, policies and standards. * New Guidance 3.9 summarises relevant legislation, etc. |
| 4 Financial management reporting |  |  |
| 4.1 Internal financial management reporting | 2. Roles and responsibilities  2.2 Responsible Body  2.3 Accountable Officer  2.4 Chief Finance Officer  4.1 Planning and managing performance | * Retains 2003 Direction, and strengthens principal requirement by bringing together reporting of key financial and financial related targets and performance indicators. Embeds the requirement in the responsibilities of the Responsible Body, Accountable Officer and CFO. * Introduces a new planning and managing performance Direction 4.1 with a focus on financial sustainability, and resource allocation guided by planning, regular monitoring, reporting and evaluation of performance. |
| 4.2 Reporting requirements in terms of Part 7 of the FMA | 5.2 Annual reporting | * Retains and streamlines the 2003 Direction on annual reporting to support compliance with FMA Part 7, and streamlines Direction consistent with Financial Reporting Directions (FRDs) and AAS. |
| 4.3 Other external reporting | 2.4 Chief Finance Officer  5.3 External reporting and information provision | * Retains the requirement that agencies must meet all other external reporting and information provision requirements in a timely and accurate manner. * Strengthens 2003 Direction to include the ability for portfolio departments and DTF to request information from agencies to support departmental portfolio and whole of government financial management responsibilities. * Requires agencies to provide strategic, timely and comprehensive information (both financial and financial related) to both the relevant portfolio departments and DTF. Specifies that this is used to facilitate government decision-making. * Requires adherence to external financial reporting activities and timelines requested by DTF, including the DTF Information Request calendar. |
| 4.4 Financial performance management and evaluation | 4.1 Planning and managing performance | * Retains and broadens 2003 Direction and introduces requirements for the Accountable Officer to carry out planning and performance management responsibilities, including the need to prepare both financial and financial-related information. Clarifies that the Responsible Body must oversee planning and performance. |
| 4.5.1 Compliance with Directions | 5.1 Financial management compliance  Instruction 5.1 | * Strengthens 2003 Direction by including requirement to establish an agency level financial management compliance framework to ensure compliance with financial management obligations. * Retains 2003 Direction by requiring an annual assessment of compliance against obligations, with this assessment independently reviewed by the Audit Committee. * Strengthens accountability for compliance reporting to government and the community through a public compliance attestation against all applicable requirements in the FMA, Directions and Instructions in the agency’s annual report, including disclosure of material compliance deficiencies and remedial actions planned and completed. Direction 5.1.4 Attestation subject to a transitional provision. * Includes new sections in Direction on dealing with compliance deficiencies and reporting material compliance deficiencies to the Responsible Minister and portfolio department, processes previously covered in the Financial Management Compliance Framework (FMCF). |
| 4.5.2 Taxation | 3.1 Effective financial governance  3.4 Internal control system  Instruction 3.4, clause 9 - Managing taxes  5.1 Financial management compliance | * Removes 2003 Direction and Taxation compliance rules and includes compliance with taxation obligations through an overarching Compliance Framework that requires compliance with Commonwealth laws, effective financial governance and internal control system Directions. * Captures specific requirements for managing taxation obligations and concessions in Instructions. |
| 4.5.3 Purchasing card | 3.6 Purchasing and prepaid debit cards  Instruction 3.6 | * Expands requirements to cover use of prepaid debit cards, including those provided to the public. * Removes purchasing card rules. Requirements now detailed and mandated in Instruction 3.6. * Strengthens reporting, rectification and mitigating future incidents, including reporting to the Responsible Minister and portfolio department. * Replaces annual reporting to Minister for Finance on all card breaches with reporting of significant and systemic issues to Audit Committee, Responsible Minister, portfolio department and Auditor-General (see 4.5.4 Thefts and losses below) |
| 4.5.4 Thefts and losses | 3.5 Fraud, Corruption and other losses  Instruction 3.5 | * Retains 2003 Direction to prevent fraud, thefts and losses. * Shifts the focus from reporting of incidents to the Minister for Finance to requiring:   + preventative strategies for dealing with fraud, corruption and other losses;   + internal reporting and monitoring of incidents; and   + mitigating future incidents. * Replaces annual reporting to Minister for Finance on all thefts and losses with reporting of significant and systemic issues to Audit Committee, Responsible Minister, portfolio department and Auditor-General. * Requires the Responsible Body to establish a fraud and corruption policy and a sound control environment. * Instruction 3.5, stipulates what must be included in a Fraud and Corruption and Other Losses prevention and management policy, such as investigation and recovery processes . * The Instruction also provides Accountable Officers with greater autonomy and accountability to define thresholds for reporting appropriate to the agency’s size and risk profile. However, these must not exceed $5 000 for loss of money and $50 000 for loss of property. |
| 4.5.5 Risk management framework and processes | 3.7.1 Risk management framework and processes  Instruction 3.7  5.1.4 Financial management compliance attestation | * Retains 2003 Direction and requires agencies to apply the Victorian Government Risk Management Framework (VGRMF). * Includes requirements for business continuity planning and Treasurer’s indemnity in Instruction 3.7, as these are not specifically covered by the VGRMF. * By 2017-18, removes duplication of individual risk compliance and public attestation procedures with the one overarching compliance attestation. |
| 4.5.6 Treasury risk management | 3.7.2.2 Treasury and investment risk management – Policies and procedures  Instruction 3.7.2.2  3.7.2.3 Treasury and investment risk management – Borrowing, investments and financial arrangements  Instruction 3.7.2.3  5.1 Financial management compliance | * Retains 2003 Direction requirements for borrowing, investments and financial arrangements (Direction 3.7.2.2). * Introduces requirement to establish Treasury and investment policies for all relevant agencies (Direction 3.7.2.1) with borrowing and/or investment powers. Existing process requires only agencies investing with VFMC to develop an investment statement. * Broadens the scope of policy requirements to cover interest rate risk, liquidity risk and credit risk, in addition to foreign exchange, and commodity risk. * Removes duplication of compliance requirements with the overarching financial management compliance Direction 5.1. |
| 4.5.7 Foreign exchange risk management | 3.7.2.4 Treasury and investment risk management – Financial arrangements –foreign exchange risk  5.1 Financial management compliance | * Retains 2003 Direction mandating specific government hedging requirements. * Removes duplication of compliance requirements with the overarching financial management compliance Direction. |
| 4.5.8 Commodity risk management | 3.7.2.2 Treasury and investment risk management – policies  5.1 Financial management compliance | * Incorporates 2003 Direction by mandating specific government commodity risk requirements into a consolidated treasury and investment risk management – policies and procedures Direction. Moves procedural matters to guidance. * Removes duplication of compliance requirements with the overarching financial management compliance Direction. |