



Treasury Internal Policy & Procedure

TIPP5.14
Compliance Management Framework Policy

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Contact details

Name: Virginia Tinson	Position: Director of Risk
Business Unit: Risk	Division: Corporate
Phone: 9228 3783	Email: virginia.tinson@treasury.nsw.gov.au

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1. Policy Statement

1.1 Introduction

This document outlines the Compliance Management Framework which governs NSW Treasury (Treasury). This document should be read in conjunction with the NSW Treasury Risk Framework document (*refer to Section 3: Related Policies and documents*) as compliance risk (or legal and regulatory compliance risk) is considered a risk category in itself.

Treasury is committed to complying with relevant laws, regulations, Treasurer's Directions, Treasurer Circulars and Memorandums, Government policies, industry codes and organisational standards (Compliance Obligations). Treasury's values of excellence in service, integrity, accountability and trust, drive our commitment to our compliance obligations and support an environment where a strong and embedded compliance culture is at the core of everything we do.

Treasury recognises that the compliance landscape is constantly evolving, and rising community expectations hold us to higher standards of conduct and operational effectiveness. In-line with these expectations, and consistent with our value of delivering excellence in service, Treasury's Compliance Management Framework (Framework) has been developed in accordance with AS ISO 19600:2015 *Compliance management systems – Guidelines*. As part of our ongoing commitment to accountability and transparency, Treasury incorporates annual compliance attestations from all relevant business units as part of its Compliance Assurance / Monitoring program (*refer to Section 2: Components of the Compliance Framework*).

This policy should be read in conjunction with the NSW Treasury Compliance Incident Policy (*refer to Section 3: Related Policies and Documents*).

1.2 Objectives

The objective of the Framework is to establish and identify the measures used by Treasury to ensure it meets its compliance obligations.

Adherence to the Framework will meet the following objectives:

- reinforce a compliance culture representative of and consistent with Treasury's values, Treasury's Code of Ethics and Conduct, core principles of the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03) and stakeholder expectations of NSW Treasury
- provide a trackable record of demonstrated compliance with Treasury's Compliance Obligations
- reinforce accountability of issue resolution, including incident management and reporting (*refer to Appendix 1: Compliance Incident Policy*)
- Minimising for Treasury the risk of reputational damage, financial loss and, in some cases, penalties for individual employees that may result from non-compliance.

1.2.1 Definition of a Compliance Obligation

A Compliance Obligation is an obligation arising under law, regulations, NSW Government policies, circulars, memorandums and directions), Treasury internal policies, organisational and industry standards that apply to Treasury.

1.2.2 Example of Compliance Obligations

Listed below are some examples of compliance obligations that will apply to Treasury that are current as at the date of the Framework:

- *Government Information Public Access Act (2009) (GIPA)*: obligations relating to giving members of the public rights to information in order to meet community expectations of more open and transparent government and release of government information (*deemed appropriate to release*).
- *Public Finance & Audit Act (1983) (PFA)*: obligations relating to the administration and audit of Treasury finances. The PFA prescribes the form, content and timing of financial statements and options to be presented to the legislative assembly.
- *Privacy & Personal Information Protection Act (1998) (PIPA)*: obligations relating to how NSW public sector agencies manage personal information and the functions of the NSW Privacy Commissioner.
- NSW Treasury Procurement Policy: obligations relating to purchasing goods and services for Treasury.
- Treasury Internal Policy and Procedure (TIPP) 2.5: Code of Ethics & Conduct: obligations relating to a code of ethics that must be upheld by all Treasury employees.
- Treasury Policy Paper (TPP) 15-03: Internal Audit and Risk Management Policy for the NSW Public Sector outlines obligations (*core principles*) relating to establishing an effective internal audit and risk management framework.
- Crown Employees (Public Service Conditions of Employment) REVIEWED Award 2009: outlines the conditions of employment for Treasury staff.

For a list of key compliance obligations see the [Treasury Compliance Obligations Register](#) (Excel file).

1.3 Background

1.3.1 Benefits of effective compliance management

Good governance practices are important and like any government (or non-government) organisation, Treasury must comply with many obligations and is accountable to meet internal and external norms of conduct.

Best practice principles in compliance suggest the most feasible way to ensure all compliance obligations are met¹ and that good governance is demonstrated includes:

- embedding compliance obligations into operations (systems, policies, procedures etc.);
- institutionalising a good governance culture of attitudes, beliefs and behaviors that drive performance and meet norms of probity, accountability and transparency;
- conducting regular performance assessments (through monitoring and assurance and evaluation activities) to ensure that embedded obligations are achieved, and
- conducting regular management reviews to ensure the compliance framework as a whole remains appropriate and effective.

1.3.2 What this Framework helps Treasury to achieve

Treasury applies the Framework to identify, analyse and regularly evaluate its Compliance Obligations and the effectiveness of policies, procedures, processes and systems (Control Environment) in reducing the risk of non-compliance.

The Framework enables Treasury to ensure compliance framework components (*refer to Section 2: Components of the Compliance Framework*) remain fit for purpose and to identify, prioritise and plan remediation projects where gaps are identified and ensure continuous improvement is achieved. The Framework provides Division Heads with high level guidance on the resources to assist them in achieving effective compliance within their relevant areas and enable them to assess the adequacy of their Control Environment through the provision of an assurance program. Ultimately this provides the relevant managers with comfort in the adequacy of their management of the Compliance Obligations.

¹ Better practice governance and compliance management norms, include: Audit Office's Governance Lighthouse; ANAO *Public Sector Governance – Strengthening Performance through Good Governance, Better Practice Guide*; Treasury Policy Paper (TPP 15-03) *Internal Audit and Risk Management Policy for the NSW Public Sector*; and AS ISO 19600:2015 *Compliance management systems – Guidelines*.

Compliance monitoring, such as, the annual Divisional Compliance Attestation will provide visibility and ease of monitoring the Control Environment in managing compliance risk. The results of the attestations will provide accountability and an audit trail that enables the Director of Risk, the Leadership Team and the Audit and Risk Committee (ARC) to monitor the Control Environment, focus on areas of high residual risk, and allow management to make proactive tactical decisions in managing compliance risk within Treasury.

Divisional managers (1st Line) in consultation with the Director of Risk (2nd line) will use this Framework within their area to help manage compliance obligations at an operational level.

1.4 Scope

This policy applies to all Treasury and Long Service Corporation staff, including contractors, consultants, part-time and temporary employees.

1.5 Non-compliance

Treasury has a very low tolerance for compliance risk and takes non-compliance extremely seriously. Failures in compliance can have profound impacts both at an organisational and an individual level. Consequences of non-compliance include:

- reputational damage to Division / Treasury / Individual;
- financial loss to Division / Treasury;
- increased work, health and safety risks in the workplace;
- regulatory sanctions or fines against Treasury and /or individual employees;
- dismissal of staff due to serious compliance failures; or
- qualified audit findings or financial statements not being certified by Auditor-General,
- potential litigation.

Treasury seeks to promote a culture of transparency and accountability and treats all reports of non-compliance seriously. Individuals must report instances of non-compliance and have the ability to make such reports via the Compliance Incident Notification Form (*refer to Appendix 1: Compliance Incident Policy*) or anonymously as per the Treasury Public Interests Disclosures Policy (TIPP 5.4).

2. Components of the Compliance Framework

The Compliance Framework is comprised of the following key components:

1. COMPLIANCE PLAN

The Compliance Plan which consists of the Obligations Register, identified obligation owners, risk assessment of obligations and associated controls for each obligation. This is the central element of the Framework and provides Treasury with visibility over:

- its key compliance obligations (adopting a risk based approach) and responsible officers
- the Control Environment in place to manage the risk associated with each Compliance Obligation
- the control owners
- the inherent (no controls) and residual risk (with controls) ratings for each obligation.

It also enables collation and summarisation of management's view as to whether or not the controls remain appropriate.

Refer to Appendix 2: Compliance Plan Template.

The outputs of the Compliance Plan should inform decisions around monitoring, assurance activities and resource allocation depending on the risk appetite of each Division.

2. POLICIES & PROCEDURES

Treasury has a suite of internal and external policies and procedures that assist in meeting its compliance obligations through the governance of Treasury employees. External policies issued to all government agencies may include Circulars, Memorandums, PSC Directions, TPPs and Treasurer's Directions.

Policies are designed with the management of compliance risks in mind, they contain guidelines, principles and rules to facilitate compliance. They form a part of the Control Environment and are regularly reviewed to ensure they remain current.

3. TRAINING

All Treasury employees receive Compliance Training when joining the agency and on-boarded and annual ongoing e-learning refresher modules are mandatory for existing employees to ensure they are aware of key compliance obligations that apply to them as an employee of Treasury.

4. COMPLIANCE ASSURANCE / MONITORING

Compliance assurance / monitoring tools assess the effectiveness of the Compliance Framework and identify any areas of non-compliance.

- **Annual Divisional Compliance Attestations** are completed by each Division for the prior Financial Year (FY). Divisional Heads will attest to compliance with key divisional compliance obligations and advise of any instances of non-compliance or partial compliance. Any overdue or non-compliant responses are escalated, investigated and reported to appropriate stakeholders (e.g. Treasury Leadership Team and the ARC) depending on the severity. An *action plan* must be developed by the Responsible Officer for each non-compliant response to ensure there is a remediation plan in place to address identified compliance gaps.
- **Risk Register Reviews** are conducted by each Division and facilitated by the Director of Risk on a periodic basis. Any identified *strategic* compliance risks are to be included in the Risk Register stored in Protecht and Management Plan.
- **The Treasury Compliance Plan** should be reviewed on an annual basis (as a minimum) to ensure all key compliance obligations and controls have been identified and are still current.
- **The Framework** is reviewed on a periodic basis by the Director of Risk in consultation with Senior Management and the Treasury and LSC ARCs.

5. COMPLIANCE REPORTING

Compliance reporting occurs at scheduled intervals and is provided to the Leadership Team, the ARC and other stakeholders as required.

At present, exception reporting capabilities exist to facilitate the identification of emerging compliance trends and incidents. Reporting will evolve over time as the compliance culture matures.

6. COMPLIANCE FRAMEWORK EVALUATION

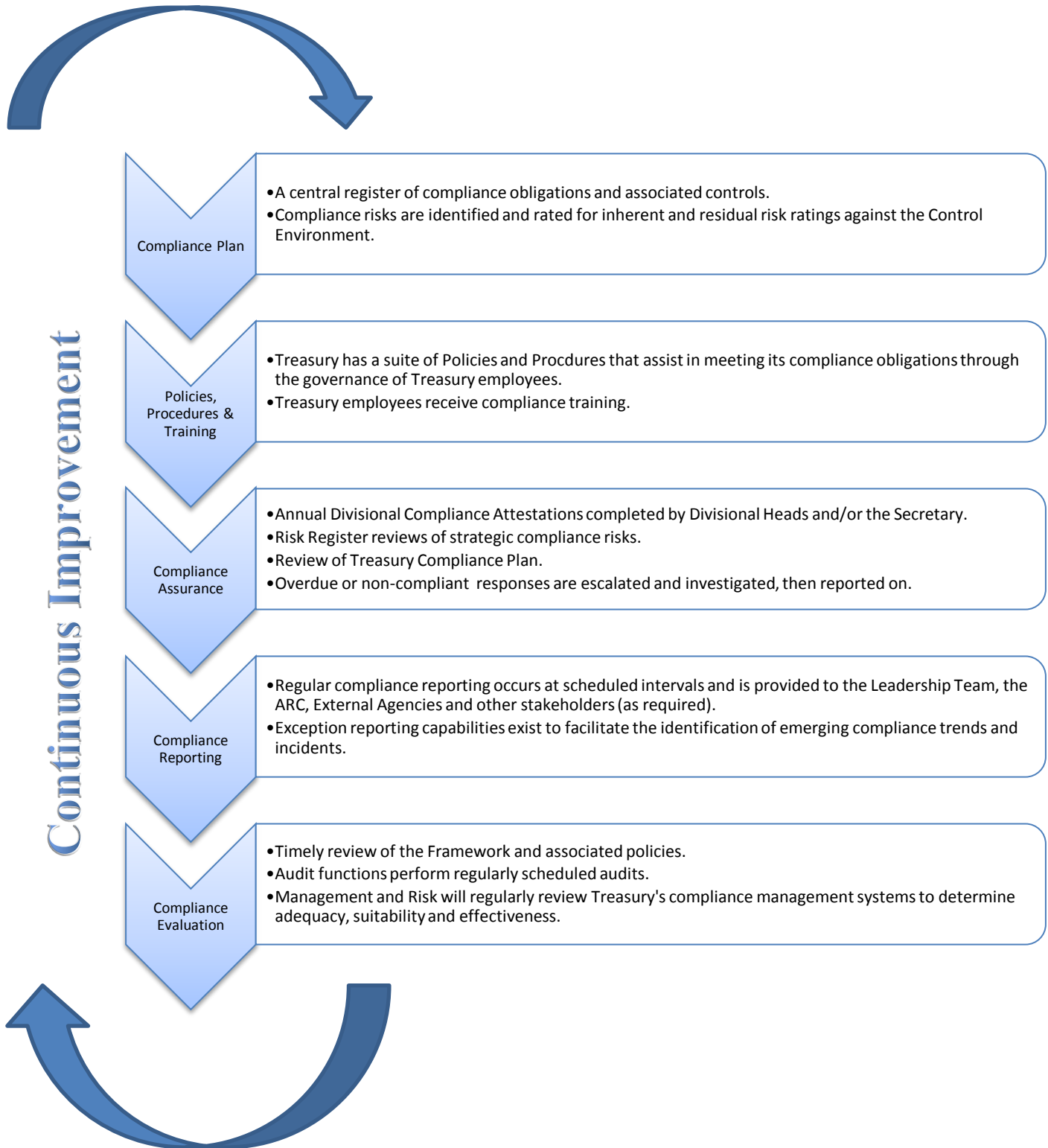
Management (1st line) will regularly review Treasury's compliance management systems to determine their adequacy, suitability and effectiveness.

Risk may perform targeted reviews (2nd line) of the Compliance Management Framework or Compliance Plan due to Compliance Attestations Responses and or other data, such as, trends identified in compliance incident reporting.

Internal and External Audit (3rd line) form the final line of review and may perform targeted reviews to assess the effectiveness of legal and regulatory compliance and the compliance framework.

Compliance assurance / monitoring activities (refer to component 4: Compliance Assurance / Monitoring) should provide an indication of the effectiveness of the Compliance Management Framework and assist in continually improving compliant outcomes.

2.1 The Treasury Compliance Framework



2.2 Framework components, responsibility and timing

The table below outlines the purpose, requirements and responsibility for Framework components.

Framework component	Purpose	Responsibility under the Framework	Timing (each year)
This Policy	Sets out Framework components designed to ensure that key compliance obligations for Treasury are met.	Secretary approves the Policy. All employees are required to implement this policy.	As required
Treasury Compliance Plan	Identify and maintain a current list of compliance obligations that are material to Treasury (using a risk based approach).	<u>Divisions</u> Ensure currency of Compliance Plan and implementation.	As required
	Compliance risks are identified and rated for inherent and residual risk against the Control Environment.	<u>Risk</u> Facilitate the update and risk assessment of compliance risks / obligations and associated controls.	As required
Policies, Procedures and Training	<u>Policies and Procedures</u> operate both as a library of obligations that complement the Compliance Plan and facilitate compliance with compliance obligations relevant to Treasury and act as a control.	<u>Responsible Officers</u> Review and update of documents is the responsibility of responsible officers. Responsible officers may make out of cycle amendments and conduct informal reviews at any time.	As required
	<u>Compliance Training</u> is provided to Treasury employees.	<u>HR / Risk</u> Compliance Training is to be provided upon induction and as annual refresher training for Treasury employees.	As required for new starters or annually for Treasury staff.

Framework component	Purpose	Responsibility under the Framework	Timing (each year)
<p>Compliance Assurance:</p>	<p><u>Annual Divisional Compliance & Functional Heads' Attestations</u></p> <p>Divisional & Functional Heads will attest to compliance with key divisional compliance obligations and advise of instances of non-compliance or partial compliance.</p> <p>Non-compliant and overdue responses are investigated by the Risk Unit and reported.</p>	<p><u>Divisional Heads</u> will be required to complete the Divisional Compliance Attestation.</p> <p>Divisional Heads should seek assurance from their direct reports prior to responding.</p> <p>Functional Heads will be required to complete relevant functional Attestations.</p> <p><u>The Risk Unit</u> will ensure overdue requests and non-compliant responses are investigated, escalated and reported.</p>	<p>Annual</p>
	<p><u>Risk Register Reviews</u></p> <p>Strategic compliance risks and associated controls are identified and assessed on an inherent and residual risk basis.</p>	<p><u>Divisional Heads</u> are ultimately responsible for the outputs of their Risk Register Review.</p> <p><u>Risk</u> will facilitate the Risk Register Reviews.</p>	<p>As required</p>
	<p><u>Treasury Compliance Plan</u> should be reviewed by each Division on a regular basis with assistance from Risk to ensure currency.</p>	<p><u>Divisional Heads</u> are ultimately responsible for ensuring the Treasury Compliance Plan includes compliance obligations relevant to their Division.</p> <p><u>The Risk Unit</u> will facilitate the Compliance Plan Reviews.</p>	<p>As required.</p>
	<p><u>Compliance Management Framework Policy Review</u> and associated policies are reviewed by the Risk Unit on a regular basis to ensure effective management of compliance risks.</p>	<p><u>The Risk Unit</u> will undertake a review of these documents as required.</p>	<p>As required.</p>
	<p><u>Targeted Compliance Reviews</u> may be performed by Risk and / or Audit due to emerging trends of non-compliance e.g. increased compliance incident reporting.</p>	<p><u>Risk and / or Audit</u> will undertake targeted reviews as required.</p>	<p>As required.</p>

Framework component	Purpose	Responsibility under the Framework	Timing (each year)
<p>Reporting</p>	<p>Compliance Reporting to be provided to the Leadership Team, ARC and other stakeholders (as required).</p> <p>At present, exception reporting capabilities exist to facilitate the identification of emerging compliance trends, and compliance incidents.</p>	<p><u>The Risk Unit</u> to prepare reporting, tailored to stakeholder requirements.</p>	<p>As required.</p>
		<p><u>ARC Compliance Reporting.</u></p>	<p>In accordance with ARC meeting schedule or on an ad hoc basis as required.</p>
		<p><u>Compliance Incident Reporting</u> to be reported to the Leadership Team in a timely manner and reported at the following ARC meeting.</p>	<p>Ad hoc.</p>
<p>Compliance Evaluation</p>	<p>To determine the performance and effectiveness of the compliance management system and to facilitate continuous improvement.</p>	<p><u>Division Heads / Risk</u></p> <p>Compliance assurance activities should provide an indication of the effectiveness of the compliance management framework and assist in continually improving compliant outcomes.</p> <p>The activities include:</p> <ul style="list-style-type: none"> ▪ Annual Divisional Compliance Attestations Responses ▪ Risk Register Reviews ▪ Divisional Treasury Compliance Plan Reviews ▪ Compliance Management Framework Policy Review ▪ Targeted Compliance Reviews 	<p>As required.</p>
		<p><u>Internal Audit / External Audit</u></p> <p>Appointed internal audit is conducted through a shared services model between internal resources and an external party, engaged through a competitive tender.</p> <p>External audit is conducted by the Audit Office.</p>	<p>Refer to the Internal Audit 3 year plan</p>

2.3 Accountabilities and Responsibilities under the Framework

The table below summarises the responsibilities of different levels of management under the Framework and for compliance (in general terms only).

Treasury role	Accountabilities and Responsibilities under the Framework
Secretary	<p>Governance responsibility for ensuring there is a robust compliance framework to manage compliance risks within Treasury and Long Service Corporation.</p> <p>Certify annually to the Audit Office and in the Annual Report that Treasury has implemented adequate compliance with TPP 15-03 Core Requirements.</p>
Internal Audit	<p>Provide assurance that key compliance risk controls are designed and operating effectively and report on the effectiveness of the Compliance Framework.</p>
ARC	<p>Provide independent advice to the Secretary on management of compliance risks within the Treasury cluster including the Long Service Corporation. (TCorp Board has a separate ARC).</p> <p>As inputs to its advice, it continually monitors:</p> <ul style="list-style-type: none"> • compliance risk identification, assessment and treatment; • compliance with laws, regulations and policies; • compliance incidents / and remediation, and • risk reviews / external audit / internal findings, including progress implementing the recommendations arising from such reviews.
Leadership Team	<p>Review the annual compliance assessment, the report, and planned approach. Be advised of material compliance incidents and non-compliance.</p> <p>Drive the implementation of corrective and improvement actions. Reflect on appropriateness of management system. Ensure continuous improvement.</p>
Division / Function Head	<p>Complete the Divisional Compliance Attestation and ensure an action plan is created for non-compliant responses.</p> <p>Ensure the currency of the Treasury Compliance Plan.</p> <p>Ensure staff receive appropriate compliance training.</p> <p>May appoint a Divisional Compliance Champion to be the central coordination point between the Division and the Risk Unit.</p> <p>Are also accountable for compliance obligations embedded in business processes outsourced to third party providers.</p>

Treasury role	Accountabilities and Responsibilities under the Framework
Director of Risk	<p>Informs the ARC and reports on compliance to the Secretary annually at a minimum or as required.</p> <p>Annually collates the Divisional Compliance Attestation to support the Secretary's compliance statement in the Annual Report.</p> <p>Supports the Divisions in identification and assessment of compliance risks and associated controls.</p> <p>Provides timely Compliance Reporting to the Secretary, Leadership Team and ARC.</p> <p>Provides in conjunction with HR Compliance Training upon induction and ongoing training for existing employees (as required).</p> <p>Continually reviews the effectiveness of the Compliance Management Framework in partnership with each Division.</p>
Responsible Officers	<p>Have primary carriage for meeting a compliance obligation, within their area of delegated authority or responsibility.</p> <p>For example, the Procurement Manager is responsible for procurement across Treasury and ensuring applicable obligations are met as outlined in the Procurement Policy and Procurement Board Directions.</p>
Third Party Providers	<p>Have awareness of compliance obligations applicable to the business processes they provide and have adequate controls in place that mitigate these compliance risks. In addition, third party providers will attest their compliance to the Treasury Responsible Officers.</p>
General Counsel	<p>Provides legal advice on compliance material and compliance incidents (reported to the Risk Unit), including an assessment as to whether a compliance obligation has not been met.</p> <p>Assists with external communication in relation to compliance reporting to external bodies.</p> <p>General advice in relation to the applicability of relevant legislation.</p>
All staff	<p>Must adhere to legislation and regulations, the Award and the TIPPs.</p> <p>Must attend appropriate compliance training (as required).</p> <p>Must report any compliance incidents to the Director of Risk.</p>

3. Related Policies and Documents

Issuer	Reference	Document Name
Director of Risk	TBA	<i>Treasury Enterprise Risk Management Framework Fraud and Corruption Prevention</i>
Joint Australian/ International Standards Organisation	AS ISO 19600:2015	<i>Compliance management systems – Guidelines.</i>
NSW Government	[No 17 of 1998]	<u>State Records Act 1998 No 17</u>
Secretary	TIPP 2.5	<u>Treasury Code of Ethics and Conduct</u>
NSW Treasury	TPP 15-03	<u>TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector</u>
NSW Treasury	TIPP 5.2	<i>NSW Treasury Risk Management Policy & Framework</i>
Manager Parliamentary Support and Information	TIPP 5.4	<u>Public Interest Disclosures Internal Reporting Policy</u>
Director of Risk	TIPP 5.9	<u>Fraud and Corruption Prevention policy</u>
Director Communications	TIPP 5.13	<u>Preparation, review and update of internal policies and procedures</u>

4. Document Control

4.1 Document Approval

Name & Position	Signature	Date
Virginia Tinson - Director of Risk		

4.2 Document Version Control

Version	Status	Date	Prepared By	Comments
1.0	Approved	August 2016	Virginia Tinson	

4.3 Review Date

This policy will be reviewed as required.

It may be reviewed earlier in response to post-implementation feedback from Divisions.

Appendices:

The following links allow you to download the appendices to this policy:

Appendix 1: [NSW Treasury Compliance Incident Policy \(TIPP5.15\)](#)

Appendix 2: [Compliance Plan Template](#) (Excel template)

Treasury [Compliance Obligations Register](#) (Excel file).