

# Legislation Working Group - Corporate Governance

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Financial Management Policy, FMR&A  
28 February 2019



# Corporate Governance

## Part 3 Roles and responsibilities

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- Division 3.2 Accountable authorities
  - **s3.6 Policies and procedures for financial management of GSF agencies**
  
- Division 3.3 Government officers
  - **s3.7 Values and associated principles to guide government officers**

# Section 3.6

## Policies and procedures for financial management of GSF agencies

Background & status quo

Discussion questions

## 3.6 Policies and procedures for financial management of GSF agencies

### Legislation extract

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- (1) The accountable authority for a GSF agency is:
  - (a) to develop, maintain and make available financial management policies and procedures, and
  - (b) to establish, maintain and keep under review each of the following:
    - (i) **effective systems for risk management, internal control and assurance (including by means of internal audits) that are appropriate systems for the agency,**
    - (ii) **arrangements for protecting the integrity of financial and performance information,**
    - (iii) arrangements for ensuring that there is compliance with this Act, and
  - (c) to ensure that the agency complies with those policies and procedures.
- (2) The regulations and Treasurer's directions may make provision for or with respect to:
  - (a) financial management policies and procedures for the purposes of subsection (1) (a), and
  - (b) systems and arrangements for the purposes of subsection (1) (b).

# 3.6 Policies and procedures for financial management of GSF agencies

Guidance provided on s3.6

GSF Act Section 3.6	Accountable Authority's Responsibility	Treasury Guidance	Comment
(1)(a) to develop, maintain and make available financial management policies and procedures	Yes	No	Is guidance required?
(b) to establish, maintain and keep under review each of the following: (i) effective systems for risk management, internal control and assurance (including by means of internal audits) that are appropriate systems for the agency,	Yes	Yes	<ul style="list-style-type: none"> <li>• TPP15-03 Internal Audit and Risk Management Policy</li> <li>• TPP16-02 Shared arrangements</li> <li>• TPP17-08 Instruments of Assurance</li> <li>• TPP12-03 Risk Management toolkit</li> </ul>
(ii) arrangements for protecting the integrity of financial and performance information,	Yes	Yes	TPP17-06 Certifying Internal Controls
(iii) arrangements for ensuring that there is compliance with this Act, and	Yes	No	Is guidance required?
(c) to ensure that the agency complies with those policies and procedures.	Yes	No	Is guidance required?
(2) The regulations and Treasurer's directions may make provision for or with respect to: (a) financial management policies and procedures for the purposes of subsection (1) (a), and (b) systems and arrangements for the purposes of subsection (1) (b).	No	No	Is guidance required?

## 3.6 Policies and procedures for financial management of GSF agencies

### Key policies

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- TPP15-03 Internal Audit and Risk Management Policy
- TPP16-02 Shared arrangements for ARCs
- TPP17-08 Requirements for Issuing Managing and reporting Instruments of Assurance
- TPP12-03 Risk Management toolkit
- TPP17-06 Certifying the Effectiveness of Internal Controls Over Financial Information.

**Note: Continuing to comply with these policies will mean agencies will also be compliant with section 3.6 of the Act.**

## 3.6(1)(b)(i) effective systems for risk management, internal control and assurance that are appropriate systems for the agency

### TPP15-03 Internal Audit and Risk Management Policy

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#### 1) TPP15-03 will be updated for the GSF Act by mid 2019.

- **No fundamental change** in this version.
- Key amendments:
  - Terminology changes in accordance with the GSF Act:
    - *Agency head* changed to *Accountable Authority*
    - *Department and Agency* are now both referred to as *GSF agency*
    - *NSW Public Sector* changed to *General Government Sector*
    - *Officer of an authority* and *accounting officer* changed to *government officer of a GSF agency*
    - *Portfolio Minister* changed to *Responsible Minister*.
  - An update of the Policy and Core Requirement 1.2 to reflect the new international standard *ISO 31000: 2018 Risk management – Guidelines*
  - References to updated Treasury Policies
  - Addition of the Small Agency Exemption – provided to small agencies in the past and will continue to operate under the revised Act
  - Removal of the 24-month transition period that was provided in 2015 for existing agencies transitioning to TPP15-03.

#### 2) More substantial revision will follow in consultation with the sector.

- Feedback to: [finpol@treasury.nsw.gov.au](mailto:finpol@treasury.nsw.gov.au)

### 3.6(1)(b)(i) effective systems for risk management, internal control and assurance that are appropriate systems for the agency

#### Other financial management policies

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- Key policies:
  - [TPP16-02](#) Shared arrangements for ARCs
  - [TPP12-03](#) Risk Management toolkit
  - [TPP17-08](#) Requirements for Issuing Managing and reporting Instruments of Assurance

Note: Progressive update of other financial management policies for the GSF Act with **no fundamental changes**



## 3.6(1)(b)(ii) arrangements for protecting the integrity of financial and performance information

### TPP17-06 Certifying the Effectiveness of Internal Controls Over Financial Information

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- Covered by [TPP17-06](#) which requires CFOs to certifying the effectiveness of internal controls on financial information.
- Progressive update of [TPP17-06](#) for the GSF Act with **no fundamental changes**.

#### **Key question**

Is further guidance required for section 3.6?

# Section 3.7

## Values and associated principles to guide government officers

Background & status quo

Discussion questions

# Division 3.3 Government officers

## 3.7 Values and associated principles to guide government officers

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(1) A government officer of a GSF agency should be guided by the following values and associated principles when exercising functions in connection with financial management (including under this Act):

<b>Value</b>	<b>Associated principles</b>
<b>Accountability</b>	The government officer should take reasonable care so that the officer's use of government resources or related money is efficient, effective and prudent
<b>Integrity</b>	The government officer should: <ul style="list-style-type: none"><li>(a) place the public interest over private interest, and</li><li>(b) should not use the officer's position (or information acquired in the exercise of the functions of that position) improperly for financial or personal gain</li></ul>
<b>Transparency</b>	The government officer should: <ul style="list-style-type: none"><li>(a) ensure that any real or perceived conflicts of interest are avoided or effectively managed, and</li><li>(b) disclose to the appropriate entity, as soon as possible, any direct or indirect material conflict of interest of the officer that relates to the affairs of the GSF agency</li></ul>

# Division 3.3 Government officers

## 3.7 Values and associated principles to guide government officers

	Policy
Section 3.7(1) Accountability	No policy
Section 3.7(1) Integrity	<a href="#">TC18-02</a> NSW Fraud and Corruption Control Policy
Section 3.7(1) Transparency	No policy

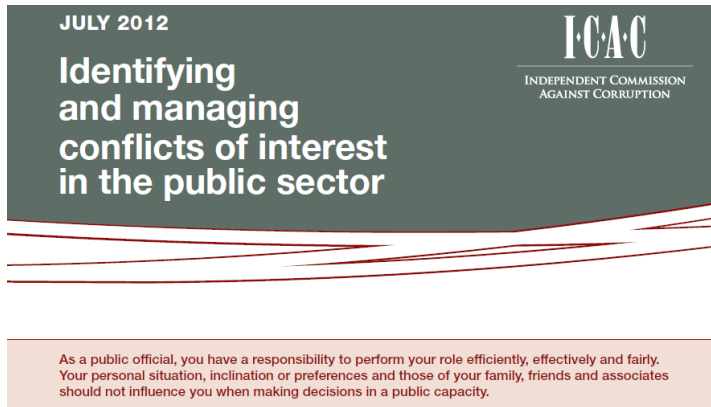
- Other agencies provide guidance:
  - Public service commission (PSC) – guidance on section 7 Government sector core values, *Government Sector Employment Act 2013*
  - ICAC - guidance on transparency through a publication on dealing with conflicts of interest.

### Key question

Is further guidance required by Treasury?

# Appendix

## 3.7 Values and associated principles to guide government officers



# Behaving Ethically

A guide for NSW government sector employees

### Who does this apply to?

The information in this brochure is aimed at public officials working in the NSW Public Service. Those public officials working in local government should refer to the information on conflict of interests contained in the model Code of Conduct and the *Local Government Act 1993*.

### What is a conflict of interest?

A conflict of interest occurs when you as a public official are in a position to be influenced, or appear to be influenced, by your private interests when doing your job. A conflict of interest can involve avoiding personal disadvantage as well as gaining personal advantage. A conflict of interest is not limited to

### What are the different types of conflicts of interest?

Actual conflict of interest	Perceived conflict of interest	Potential conflict of interest
You hold a public position where <b>right now you can be influenced</b> by your private interests when doing your job.	You hold a public position where <b>you appear to be influenced</b> by your private interests when doing your job.	You hold a public position where <b>you may in future be influenced</b> by your private interests when doing your job.

- ICAC - Identifying and managing conflicts of interest in the public sector (July 2012) [Linked here](#)

- PSC – Behaving Ethically - A guide for NSW government sector employees [Linked here](#)

# Appendix

## Indicative agency impact

### 3.6 Policies and procedures for financial management of GSF agencies

Reference to legislation	Policy intent or decision	Possible agency impact 6 months	Possible agency impact 12 months
<p><b>Section 3.6(1) (b) to establish, maintain and keep under review each of the following:</b></p> <p><b>(i)</b></p>	To provide accountable authorities with instructions and/or guidance on how to comply with the requirement to establish and maintain effective systems for risk management, internal control and assurance.	<p>Business as usual for agencies. No fundamental change in:</p> <ul style="list-style-type: none"> <li>• <b>TPP15-03 Internal Audit and Risk Management Policy,</b></li> <li>• <b>TPP12-03 Risk Management toolkit,</b></li> <li>• <b>TPP16-02 Shared arrangements for ARCs.</b></li> </ul>	Existing policies will be progressively updated to align with the new legislation. Treasury will consult with the sector on enhancements, particularly the internal audit and risk management policy.
<p><b>(i)</b></p> <p><b>effective systems for risk management, internal control and assurance</b></p>	To assist agencies to manage risks related to issuing Instruments of Assurance and establish greater visibility of contingent liability exposure	<p>Business as usual for agencies. No fundamental change in</p> <p><b>TPP17-08 Requirements for Issuing Managing and reporting Instruments of Assurance</b></p>	<p>No material impact. The policy will be updated to align with the new GSF Act.</p>
<p><b>Section 3.6(1)(b) (ii) arrangements for protecting the integrity of financial and performance information</b></p>	To provide greater assurance as to the quality of financial information and reporting	<p>No material impact. No fundamental change in</p> <p><b>TPP17-06 Certifying the Effectiveness of Internal Controls Over Financial Information</b></p>	<p>No material impact. The policy will be updated to align with the new GSF Act.</p>

# Appendix

## Indicative agency impact

### 3.7 Values and associated principles to guide government officers

Reference to legislation	Policy intent or decision	Possible agency impact 6 months	Possible agency impact 12 months
<b>Division 3.3 Government officers Section 3.7(1) Accountability</b>	No policy	Business as usual	Business as usual
<b>Division 3.3 Government officers Section 3.7(1) Integrity</b>	To set out the key minimum requirements necessary to establish and maintain an appropriate system of fraud and corruption control	No material impact. No fundamental change in the policy <b>TC18-02 NSW Fraud and Corruption Control Policy</b>	No material impact.  Policy will be updated to align with the new GSF Act.
<b>Division 3.3 Government officers Section 3.7(1) Transparency</b>	No policy	Business as usual	Business as usual

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