



**Victorian
Public Sector
Commission**



Establishing portfolio governance guide

A guide to help departments and public entities build effective working relationships.

About this guide

Departments and public entities need to work well together to ensure that the public sector as a whole works effectively for the Victorian community.

Public entities are organisations that exercise a public function but are established outside the public service. Public entities are defined in section 5 of the [Public Administration Act 2004](#).

This guide outlines how a department can support its secretary to meet their obligations for public entity oversight.

The guide also provides advice to help public entities to meet their obligations to departments and ministers.

Departments and public entities can use this guide to:

- evaluate and improve their relationship
- agree on the roles and responsibilities
- discuss the risks, needs and obligations of individual public entities
- set up clear ways to communicate and engage with each other.

Sections of this guide will be more relevant for some public entities than others. It may

also be useful for other types of public sector bodies, including administrative offices and special bodies. They have slightly different relationships with, and obligations to, their portfolio department but can apply some of the same principles in the guide.

Read more about the different types of [public sector bodies](#).

Who the guide is for

This guide is for:

- key relationship managers in departments and the employees who support them
- employees in public entities who work with departments.

Key relationship managers

Secretaries generally delegate their legal obligations for portfolio oversight to deputy secretaries.

Key relationship managers work on behalf of the secretary or their delegate to undertake the day-to-day work of maintaining a strong working relationship with public entities.

They work closely with public entities and are the main point of contact in the department.

Public entities will also have a nominated contact who works with the department's key relationship manager. This may be the CEO or a delegated employee. In some cases, it might be the chair of the board or advisory body.

Before you get started

To learn more, read about ministerial responsibility in Victoria's system of government and the importance of good governance in the public sector:

- [Victoria's system of government](#)

- [Governance](#)

If you are a key relationship manager in a department or public entity, you should know the legislation establishing the public entity.

You should also know about other requirements which will guide the appropriate portfolio governance arrangement. For example, other laws and sources of governance requirements might include:

- the [Public Administration Act 2004](#)
- any relevant Premier's circulars or General Orders
- any terms of reference that guide the operation of the public entity.

Governance arrangements should also be based on a public entity's:

- size
- functions
- complexity
- degree of independence from, and accountability to, government.

To work this out, read the [supporting good governance section](#) of this guide.

Creating a culture of respect

In order to get the best from the relationship between a department and public entity, all parties should try to create a culture:

- of respect for the other organisation and the work they do
- of collaboration, communication and information sharing
- which focuses on building mutual understanding, recognising that there may be differences in views
- encourages people to raise issues or risks.

Respect is one of the seven public sector values. Under the [codes of conduct](#), all public sector employees and board directors should demonstrate respect for their colleagues, other public officials and members of the Victorian community. This will set the framework to achieve the government's priorities and best serve the community.

Balancing independence and cooperation

Public entities have their own level of independence and legal responsibilities. Some public entities have a high degree of independence because they have, for example, a regulatory responsibility over a part of the department's operations.

In most circumstances, departments do not have the authority to control how public entities perform their functions. Under special circumstances a minister may delegate to the department the power to direct a public entity.

However, while public entities have degrees of independence in their functions and roles, they are still part of the broader public sector.

Departments and public entities both aim to:

- deliver good outcomes for the community
- work in the public interest
- demonstrate high standards for integrity
- be accountable to ministers.

Achieving these shared aims depends on good relationships and regular engagement between departments and public entities.

Public entities should understand that ministers will expect the department to advise them on any significant matters relating to the discharge of relevant public entities' functions. You can read more about [keeping ministers informed](#) below.

The minister's expectation that the secretary will keep them informed about public entities in their portfolio means that the secretary and their delegates will have a reasonable need to seek access to information about the public entity.

Secretaries' obligations

Portfolio oversight

Victoria's framework for public administration relies on departments and public entities working together.

Departments don't usually have the authority to control how a public entity performs its functions. But secretaries do have obligations to support and oversee public entities on behalf of the minister. The nature of these obligations changes depending on how the public entity is established in law.

Under section 13A of the [Public Administration Act 2004](#), a secretary must:

- work with and guide the relevant public entities on matters relating to public administration and governance
- advise their ministers on the performance and management of public entities in their portfolio.

Unless there is a law prohibiting them from doing so, public entities must provide the secretary with any information they need to carry out their responsibilities under section 13A.

Delegation

Under section 18 of the [Public Administration Act 2004](#) secretaries can delegate their portfolio oversight responsibilities to others. They often delegate these responsibilities to deputy secretaries. The extent to which the deputy secretary is directly involved in managing the relationship will depend on the specific public entity.

In most cases, a key relationship manager will be identified to engage with the public entity day-to-day to enable the secretary, or their delegate, to carry out their responsibilities. This could be at executive or officer level, depending on the nature of the public entity.

The secretary, or delegate, should continue to oversee these functions and ensure consistent and coordinated approaches to department and public entity interactions.

Where a secretary has delegated functions, they continue to be ultimately accountable for the delivery of their responsibilities under section 13A and other relevant legislation.

Portfolio oversight of financial management

Secretaries also have responsibilities under the [Standing Directions and Instructions under the Financial Management Act 1994](#) to:

- establish and maintain an effective portfolio relationship framework
- provide advice and support to public entities about financial management, performance and sustainability

- support the minister in the financial oversight of public entities and the minister's portfolio as a whole
- give the minister information about public entities' financial management, performance, and sustainability.

Read more about:

- a secretary's role in [informing and advising ministers](#)
- [guidance supporting the Standing Directions](#) on how to establish an effective portfolio relationship framework.

Department governance structures

Departments can manage their relationships in different ways:

- through a central governance team
- through a decentralised approach with a relevant branch responsible for a public entity or group of public entities.

In a decentralised structure, subject matter experts are often the key relationship managers, who help oversee public entities on behalf of their secretary.

If oversight responsibilities are decentralised across the department relevant departmental staff should meet periodically. This will help the department to:

- manage the whole portfolio effectively and consistently
 - ensure key relationship managers are aware of whole of government requirements for public entities.
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How to build a productive working relationship

Productive relationships require active and ongoing management.

Productive relationships lead to better quality policy advice and design, systems, and outcomes.

Identify key relationship managers

Departments and public entities should nominate representatives who will work with each other to maintain a strong working relationship. They should have a mutual understanding and respect for each other's roles.

There may be several department employees engaging with a public entity but the primary department representative is a key relationship manager.

Learn about the public entity you work with

Employees who engage with public entities should learn about the public entities they work with. They should prioritise learning about the specifics of the public entity's:

- role
- purpose
- service delivery
- priorities
- key risks
- general circumstances.

They can start by reading:

- the relevant legislation establishing the public entity
- annual reports
- corporate plans
- the public entity's terms of reference
- statement of expectations from ministers
- any public reports on the public entity
- previous department briefs.

If you're a new key relationship manager you may find it helpful to:

- talk to the person who previously worked with the public entity
- organise a visit
- participate in any induction opportunities they suggest.

New public entity employees who work closely with the department and board directors

should also be provided with information about the department's role in overseeing and supporting public entities.

Decide how to work together

Key relationship managers in departments and public entity employees should decide how they'll work together so that:

- they can communicate effectively and quickly
- whole of government information reaches public entities
- departments can gather information from multiple public entities quickly
- they can resolve issues together.

They should:

- define their roles and responsibilities
- make a list of key contacts on both sides
- maintain open and honest communication to manage risks and resolve issues before they escalate
- schedule regular meetings
- agree on a process for ongoing communications and updates.

Clear and agreed terms of reference that outline roles and responsibilities will assist in establishing a good relationship. Terms of reference like this can also be helpful for other public sector bodies, like advisory bodies.

Providing department and public entity employees with the contact list or organisational chart for one another's relevant branches is an easy way to ensure that relevant employees can communicate efficiently and have appropriate influence when required.

Public entity employees may also benefit from information on broader departmental processes and public service executives' detailed understanding of the way government works to assist them to manage risks and identify and address issues.

Schedule regular meetings

Regular meetings are important for maintaining good portfolio governance arrangements. Regular meetings are scheduled in advance at an agreed frequency depending on the nature of the public entity.

For example, if a public entity has a high-risk profile the department may want to meet with them every 2 weeks. For a low-risk public entity, they may only meet a few times a year.

A public entity's risk profile can change quickly and key relationship managers may need to adjust the frequency of scheduled meetings to address increased risks.

Meetings can be online or in person. Be flexible and work out what works best for everyone.

There are some benefits to meeting in person. It can help:

- make the department more visible to the public entity
- give the department a better understanding of how the public entity works
- establish trust.

Departments and public entities should consider if face-to-face meetings would be beneficial. Face-to-face meetings could include:

- one-on-one meetings to resolve specific matters
- onsite visits to understand the operating environment
- portfolio or industry segment forums to ensure that whole of portfolio issues are discussed, and networks established.

Meeting in person may be particularly valuable for public entities where employees work:

- full-time in the office
- at a specified location
- with members of the public.

Deal with conflict respectfully

Relationships between departments and public entities can become strained. This can happen because:

- employees on either side are less engaged in building strong relationships
- there are difficult fiscal environments in which the department and public entity disagree on funding decisions and ways to find savings
- there is limited resourcing for portfolio governance arrangements and high turnover of relevant employees

- there is a misunderstanding about the balance between independence and cooperation
- there are differing views on significant operational and policy issues
- there is a lack of communication (both formal and informal) leading to issues or decisions not being raised in a timely way.

If significant conflict occurs or there is a lack of engagement, you can:

- demonstrate trust by sharing information and raising issues early
- discuss the area of conflict respectfully and openly
- ensure you understand the legislated arrangements of the public entity and any obligations the public entity has to central government
- understand the scope of your authority to manage conflicts when they arise
- raise the issues internally and ask the relevant executives to meet to resolve issues.

These strategies apply to employees who work in departments as well as in public entities.

Ultimately, the secretary and head of the public entity are responsible for effective portfolio governance relationships. Sometimes it will be necessary for issues to be managed at that level.

In very rare cases, the secretary may involve the minister in resolving the issue. For example, where there's:

- a serious integrity or governance concern
- ongoing failure to carry out functions
- ongoing failure to comply with legal obligations.

Keeping ministers informed

Under section 13A of the [Public Administration Act 2004](#), departments and public entities must work together to keep ministers informed about the public entities in their portfolio.

To do this well, secretaries, or their delegates, need to know about a public entity's:

- key activities

- risks
- other significant matters.

Section 13A requires public entities to give the secretary any information they need to advise the minister on matters relating to the public entity unless there are confidentiality or legal reasons not to.

Section 81 requires the board of a public entity to inform the minister and the secretary, or their delegate, about:

- any major risks to the public entity's effective operation
- how the public entity will manage these risks.

Read more:

- [Managing public entity risks scenario](#)

Policy development

Departments should involve public entities in policy development or advice when the issue affects them or they have specialist or operational knowledge. In some cases, there may confidentiality or legal reasons for the department not to involve the public entity.

When developing policies, both departments and public entities should:

- engage one another early and often
- invite a representative to regular meetings
- share drafts and give time for feedback.

This engagement ensures that both departmental and public entity policy is informed by operational perspectives and challenges. It will lead to better quality advice to government and improved outcomes for the community.

Public entity planning

In most cases, the process of developing a public entity's strategic or corporate plan involves sharing information with the department and minister. Public entities should seek their input where appropriate.

The level of involvement of the department in this process will vary based on the public

entity's legislated arrangements. Some public entities have requirements for planning set out in legislation or ministerial directions.

It is important for both the public entity and the department to consider how these requirements will shape the process and the extent of consultation, engagement and information sharing with the department.

Good collaboration in this process will contribute to better outcomes in the portfolio.

Read more:

- [Developing a strategic plan scenario](#)

Briefings from a public entity to a minister

The involvement of public entities in briefing the minister varies widely across the public sector. Some public entities don't directly brief the minister and others have legislated obligations to advise the minister on specific matters.

This guide provides general advice on things to consider in relation to public entities that do have functions to advise the minister or contribute to briefing the minister.

If a public entity provides written advice for the minister and the advice is delivered via the department, the department shouldn't edit or rewrite the advice without the public entity's approval.

If the public entity does have a role in writing their own briefs to the minister but these are handled by the department during the process of delivering the brief, it is important that departments progress the brief in a timely fashion and do not seek to delay or hold up the provision of the advice. These public entities are complying with their legislated obligation to directly advise the minister.

Generally, departments should let the public entity know how the department briefed if a cover brief was included in addition to the public entity brief. They should explain the reasons for their briefing position and inform the public entity whether the minister has approved the brief.

If advice from the public entity is contained within a department brief, the department should consider providing the public entity with a copy of the brief and any comment or decision by the minister.

At a minimum, the public entity should be advised of any information communicated to the minister, which has been attributed to the public entity.

For example, if a department has requested advice from a public entity to inform an incoming government brief, the department may need to summarise that advice. However, the summarised advice should be provided back to the public entity to check that it remains accurate before it is provided to the minister.

It is appropriate for some public entities to directly engage with or brief their minister on significant matters without the brief being delivered by the department. For those entities, this will not undermine the requirements under section 13A. This is because their establishing legislation requires them to advise the minister directly. Some public entities will also set up direct meetings with the minister on a regular basis.

A public entity may decide to tell the department about these interactions when appropriate unless there are confidentiality or other legal reasons not to. A public entity may also decide to tell a department before the interaction occurs. This will help departments provide a supporting briefing to the minister as appropriate.

Departments briefing a minister on the same matter

Sometimes a department and a public entity will brief the minister separately on the same matter. A department may decide to do this if:

- the information it has may assist the minister to consider the matter
- there are broader portfolio implications the minister should know about
- the department needs to inform the minister about additional matters or risks.

The department should make this decision independently of the public entity. Given the department's central role in supporting ministers, it must provide independent, full and frank advice to ministers.

Departments and public entities should minimise occasions where conflicting advice is being provided to the minister. Sharing information and advice enables departments and public entities to identify and discuss different views before the advice reaches the minister.

This will not be appropriate in all situations, particularly when:

- there is a potential conflict of interest, such as when a public entity is performing a regulatory function in relation to a department
- it concerns confidential matters, such as sensitive recruitment matters or personal information.

In the interest of transparency, departments and public entities may consider:

- whether they can share information
- how a conflict can be managed
- if information can be deidentified.

For example, there may be scope to share issues relating to process, to minimise confusion or duplication, without sharing identifiable information. This will support the secretary to properly advise the minister without compromising the independent functions of the entity.

Monitoring performance and compliance

Information Sharing

Departments and public entities should be proactive in sharing information about major risks and other significant matters. Standard information provided by public entities could cover things like:

- financial controls and delegations
- appointments and tenure of executives and members of the governing or advisory body
- key frameworks such as integrity frameworks
- risk registers, including more detailed information about specific major risks, which may evolve over time and therefore require more regular updates
- board and director performance reports
- significant public announcements or events, especially if likely to be controversial.

Departments should discuss the content of planned information requests with the public entity, with as much lead time as possible, to ensure that the public entity can provide the relevant information.

Key relationship managers should use regular meetings or briefings to discuss:

- the public entity's major priorities and activities
- the public entity's corporate and strategic planning processes
- any new government policies or requirements that may affect the public entity
- major public entity risks.

Key relationship managers should consider a public entity's operating environment or annual cycle when considering the timing of planned information requests.

Minimising the number of ad hoc, unplanned, or duplicative requests can assist the public entity to provide accurate and timely information. Reducing the burden on public entities will also contribute to a positive relationship.

Key relationship managers should also engage with other parts of the department who may be planning requests to public entities to present the requests in as streamlined a way as possible. For example, key relationship managers may need to speak to media and communications teams about public issues.

Ideally, the key relationship manager should be aware of all requests to public entities and play a role in addressing concerns a public entity may have about these requests.

Departments play a critical role in passing on information from ministers or central government to public entities. It is important that this is done in a timely fashion so that public entities are able to plan for and comply with new requirements or contribute to processes led by departments.

Read more:

- [Sharing information between departments and entities scenario](#)

Communication protocols

Effective communication should enable the department to perform its role with respect to monitoring and compliance. Departments and public entities should have regular discussions about:

- the public entity's progress against its business plan, any ministerial statement of expectation, and similar documents
- statement of priorities or performance monitoring framework which support transparency on process and expectations
- the public entity's compliance with laws, contracts, codes of conduct and government policies
- any serious governance issues, such as CEO and/or misconduct of the governing or advisory body
- any significant financial sustainability issues
- any significant media or public events or announcements
- any relevant information the department can provide the entity to assist it in its

performance.

Key relationship managers shouldn't rely on annual and corporate planning documentation as the only way they monitor a public entity's performance and compliance. This documentation may not be sufficient in all circumstances. Understanding a public entity's risk profile will help departments determine what information they need for effective oversight.

Departments and public entities may benefit from a formal documented agreement, such as a memorandum of understanding. This could include agreed communication processes or briefing protocols. This should be:

- circulated to relevant department and public entity employees
- regularly reviewed to ensure it meets both parties' needs.

At a minimum, the department should document who's responsible, within the department, for oversight of each public entity. This is to ensure that public entities and other departmental employees all know who the key relationship managers are.

Read more:

- [Developing a strategic plan scenario](#)
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Supporting good governance

Secretaries and their delegates are responsible for working with public entities to support good governance practices across the public sector. This reflects a secretary's stewardship role in the public sector. It also supports ministers to administer their portfolios and account to Parliament.

If you're a key relationship manager, you should be proactive in working with and guiding public entities to assist them to practice good governance. Public entities should also actively seek to draw on departments' expertise, support, and guidance.

How much support and oversight a public entity needs will vary depending on the specific public entity. Focus on:

- identifying a public entity's risk
- tailoring the approach based on the public entity's risk.

Service level, or similar, agreements can include requirements for oversight and reporting. However, key relationship managers should consider their responsibility for portfolio oversight more broadly than just the requirements of these agreements.

Identifying a public entity's risk

Departments should aim for ongoing improvement in identifying a public entity's risk.

Ideally, to establish an appropriate level of oversight, departments should consider all relevant circumstances and identify anything that could point to a governance failure or problem.

Take a holistic approach to risk and consider things like the public entity's:

- size, functions, complexity, establishment, and public importance
- finances, such as the number and value of assets under the public entity's control and its financial sustainability
- past performance, compliance, and stability
- previous governance issues or failures, including what caused them and how they were addressed
- cyclical risks, such as enterprise bargaining agreement negotiations.

Also consider external factors, such as:

- recent reviews or reports — for example, reports from the Victorian Auditor-General, the Victorian Ombudsman or the Independent Broad-based Anti-corruption Commission
- the consequences of a governance failure, such as the impact on the public entity's ability to meet its objectives and discharge its functions.

In considering the consequences of a governance failure, also consider the need to maintain public trust. Public trust is important for individual public entities and the public sector more broadly.

For example, a governance failure resulting in the misappropriation of a relatively small amount of money may nonetheless have a significant impact on a small regional community or a section of that community. This may consequently diminish public trust in the integrity of the public sector.

If practical, departments should tell public entities how they have assessed their risk level.

A public entity's risk may change over time. Regularly review and update risk determinations. This is particularly important where circumstances change.

If a public entity's risk increases, consider:

- additional oversight, such as additional monitoring or reporting obligations and escalation of issues
- providing additional support to the public entity, such as targeted guidance or training to increase capability in areas of need
- actively working with the public entity to address identified governance issues
- providing additional briefings to the minister.

Departmental support and oversight

After the department determines the risk profile of a public entity or a group of public entities, they need to work together to decide what support and oversight a public entity needs. Remember in these discussions that in most circumstances departments can't direct or control a public entity in the performance of its functions.

There are some public entity heads that report directly to the secretary of a department, in which case the department will have a greater degree of control. Remember, you should understand the public entity's establishing legislation before deciding how to approach the relationship between the department and public entity.

Support and oversight mechanisms should be proportionate and tailored to the individual public entity. For example, departments should be more involved if a public entity's risk level is high.

Departments should balance the need to oversee a public entity to promote good governance with the need to:

- reduce any administrative burden on a public entity
- avoid inappropriately interfering with the public entity's independence
- recognise that the proper functioning of the public entity is ordinarily to be carried out by the public entity's governing body and CEO.

They should also:

- give the public entity timely, clear, consistent advice and information
- respond to queries raised by the public entity quickly and thoroughly
- act as a public sector steward by leading coordinated responses to system or

industry wide challenges and whole of government reform

- assist public entities to engage with other relevant public entities and departments
- develop and maintain policy and guidance materials that outline good public administration and governance practices, tailored to the portfolio
- support public entities to ensure that employees and board members understand their public sector obligations
- actively oversee and monitor public entities to identify key governance issues and risks
- assist public entities with significant recruitment issues that may arise and support them to comply with the relevant employment obligations, such as the [employment principles and standards](#) and requirements for [public entity executive employment](#).

Smaller public entities

Smaller public entities with limited resourcing in corporate and governance functions may find it harder to implement new requirements, such as new legislative obligations that apply across the sector. For example, obligations relating to occupational health and safety.

Departments can support public entities by providing model policies or processes. This helps public entities to focus on service delivery rather than corporate functions. The governing body and CEO remain accountable for compliance with these requirements and may need to tailor model policies appropriately.

Smaller public entities may also need assistance with establishing appropriate arrangements to support their board or comply with other obligations. For example, providing an official email address for board members and a secure portal for documentation will assist public entities to comply with information security requirements.

Departments and public entities should work out what support the public entity needs based on its size and risk profile.

Formalising governance arrangements

Departments and public entities may wish to document how they will work together to promote good governance. This should outline:

- the public entity's risk

- what support the department will provide the public entity
- reporting or oversight mechanisms that apply
- protocols to follow for escalation of issues
- the roles and responsibilities of department and public entity employees.

Memorandums of understanding can be helpful for some things, such as corporate costs charged to the public entity and protocols for briefing. Agreements should not be overly complex but should assist in clarifying expectations. The agreed approach should be communicated to the relevant department and public entity employees.

Departments should take a tailored approach to overseeing public entities but can also provide a high-level portfolio or industry segment approach to communicating whole-of-government or portfolio issues. This could be in the form of factsheets or regular email circulars.

Where to get additional help

Good governance is a shared responsibility of portfolio departments and public entities, with the support of the Victorian Public Sector Commission (VPSC) and the Department of Premier and Cabinet (DPC).

Public entities should seek help on governance matters from their relevant department in the first instance. Departments should ensure their public entities are aware of any guides which provide relevant governance frameworks or corporate policies.

The VPSC's responsibilities include to:

- conduct research and publish best practice guidance resources
- issue and maintain binding [codes of conduct](#) for public sector employees and board directors
- conduct governance capability reviews on request, which may include reviews of portfolio governance
- provide general advice and support to departments and public entities on governance and public administration, including [resources for board directors](#).

DPC's responsibilities include to:

- advise the Premier and Minister for Government Services on public administration

and strategic whole-of-government governance policy

- issue whole-of-government policies
- provide advice to departments and public entities on matters such as [board appointments, remuneration and diversity](#)
- provide advice on establishing new public entities.

The Department of Treasury and Finance also has an oversight and advice role regarding financial governance across the public sector.