



# Developing policies and procedures for your business

The policies and procedures adopted by your business for a particular task or activity must match the risk tolerance of the business and be tailored to suit the business's specific needs. While standard policies can be helpful, it's not possible to simply implement pro-forma policies – policies must be custom-made for each business, reflecting their unique circumstances and risk appetite.

For more information on risk management and determining risk tolerance, please see the CPA Australia's risk management guide for small to medium businesses.

## What are policies and procedures?

A policy is a statement that outlines the principles and views of the business on each topic covered. It is an overview of certain rules you should have in your business. Policies should align with business goals and plans and reflect the culture of the business. They must be flexible and easily interpreted and understood by all. In some cases, a policy may not require a supporting procedure.

Procedures are clear and concise instructions on how to abide by the policy. They detail the sequence of activities that are required to complete tasks and should include the "how" to achieve the necessary results.

### Key steps:

- Procedures should be factual, simple to understand and succinct.
- They should cover all reasonable circumstances that may arise.
- All people within the business be required to adhere to the policies and be accountable for doing so.
- They must be documented. This can be done in several ways including written steps, flow charts or other diagrammatic reference and/or checklists.

## Why you need policies and procedures

Policies allow everyone involved in your business to clearly understand the rules within your business. This could include your customers, suppliers and employees. It could also include your regulators and/or accreditation bodies.

Procedures provide the framework for activities within the business. This framework allows responsibilities to be clearly defined so that everyone knows what they are required to do in certain circumstances.

Policies and procedures provide consistency and reliability to the operations of your business. Well thought out policies and documented procedures enable efficient and effective operations - you don't have to continually discuss what's required when an event within the business occurs, for example who is authorised to buy stock. This will translate into more time to improve business operations, which in turn should assist in improving profitability.

## Tips for writing a policy and procedures manual

For some larger small businesses, we suggest a policy and procedure manual. This would be a reference for all employees and others who need to refer to the numerous policies of the business. However, developing such a manual can be very time consuming.

Here are some suggestions to help you get started:

If you have time and/or resource constraints, it is best to deal with the areas that will have the biggest impact on the business first.

If you have employees, ask them to suggest policies and procedures for each of their areas of responsibilities and allow time within work hours for them to write up their suggestions.

If you are a member of an association, ask them if they have sample policies and procedures for your type of business.

Complete each policy and write the procedure each time you are working on that activity. For example, if you have a new customer, write up how you will record their details, where these will be kept, how you will set a credit limit for new customers c.

The following is a checklist of potential policies you should consider for your business. The list is not intended to be exhaustive but a guide – you may think of other areas of importance to your business that you can develop policies and procedures.

Business Area	Policy	Procedures
<b>Office Management</b>	Email/-internet usage	How email/internet is to be used in the business
	Occupational health and safety (OH&S)	How to keep the workplace safe for employees and others within the business premises
	Environmental, Social, Governance (ESG)	How the business is going to document and record its ESG policies and procedures
	Use of business facilities	What the facilities can be used for other than business operations
	Records access authorisation	Who is authorised to access business records
<b>Employees/contractors</b>	Recruitment	How new employees are to be recruited
	Job descriptions	Details on roles and responsibilities of each position
	Induction	How new employees are introduced and trained
	Training	What training will be offered to employees, how often and when
	Appraisals	How employees appraised and how often
	Remuneration	Levels of remuneration for various roles within the business
	Leave entitlements	How sick, annual, long service and any other leave is allocated to employees
	Time in lieu	How employees receive benefits for working without pay
	Public duties	How the business responds when employees attend public duties e.g. volunteer fire brigade, army reserve training, jury duty
	Employee expenses	When and how can employees claim business related expenses
<b>Finance</b>	Confidentiality	What aspects of the business are employees expected to keep confidential
	Authorisations	Which job roles are allowed to authorise various activities within the business e.g. purchasing assets, signing contracts, authorising new customers, overtime, spending authorities etc.
	Petty cash/cash handling	How cash within the business is to be controlled
	Bank accounts	When and how new bank accounts are opened
	New supplier	How a new supplier is chosen
	New customer	How a new customer is accepted
	Buying/purchasing	How to determine when stock, equipment and assets need to be purchased
	Debt collection	How outstanding debts from customers are to be collected
<b>Other</b>	Insurance/risk management	What within the business is to be covered by insurance or other risk management mitigation strategies
	Whistleblowing	How employees can report activities within the business such as fraudulent activity, harassment, bullying, unethical behaviour etc.
	Social media	How and when employees can and cannot mention the business on their own social media accounts
	Media	How the business and employees respond to media enquiries
	Business continuity planning/disaster recovery planning	How will the business respond to a disaster and who will be responsible for the responses

## Documenting the procedure

A procedure should document what needs to be done, how it is to be done, who is responsible to do it and if any authorisation or other activity is required for completion of the procedure. Here are some tips on how to write a procedure:

- consult with relevant employees, ask them to document how they perform various tasks
- if using words, keep them simple and easy to understand
- step by step instructions with sub-headings will make it easier to follow – this can be for written or diagrammatic procedures
- make sure the steps are in the correct order and preferably cover one action per step
- if the procedures rely on other procedures to be carried out or are related to other policies make sure this is noted – for example employee appraisals and employee remuneration policies
- where possible use lists, diagrams and/or checklists as these are usually easier to understand and complete
- have a standard template for your policies and procedures
- where responsibilities are allocated within the procedure, these should be to a job role not an individual – this will ensure that when employees are on leave activities will continue to be completed
- test the procedures (testing the procedures may lead to you to discover better ways of doing current tasks).

### Example Policy and Procedure Template

Policy Number:	[Insert Policy Title Here]
Date:	
Purpose of policy	[Insert why the business has this policy and the objectives and expected outcomes of this policy]
Procedures	[List the details of each step required to complete the procedure or insert diagram. List when exceptions to this policy may be accepted and who is required to authorise such exceptions]
Other relevant policies	[Note any other policies that are relevant to this policy]

## Example – Café Policy on end of day food storage

### Policy:

Within half an hour after closing time, all remaining food in display cabinets must be taken from display cabinets and stored in the appropriate level of the fridge.

### Procedure:

Counter salesperson is responsible for moving all food from display cabinets to the appropriate level of the fridge within 30 minutes of closing time.

A laminated board is displayed on the front of the fridge to show what food items go on what shelves within the fridge.

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Top shelf – Dip

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Second shelf from top – Chocolate cake

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Third shelf from top – Cheese

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Bottom shelf – Fruit

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Figure 1 below provides a more detailed representation of a process a business may follow to develop a tailored business policy.

	Identify risks	Analyse	Evaluate	Treat and monitor
<b>Objective</b>	Identify the risks	Understand the risks	Evaluate the risks	Treat the risks
<b>Key steps</b>	<ul style="list-style-type: none"> <li>Identify business strategy and market position</li> <li>Assessment of risk exposure</li> <li>Stakeholder survey</li> <li>Stakeholder interviews</li> <li>Document risks</li> </ul>	<ul style="list-style-type: none"> <li>Identify likelihood</li> <li>Identify consequences</li> <li>Risk assessment workshop</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate risks and risk level to identify risks that require treatment</li> <li>Match risks to policy and procedure template to develop a policy</li> </ul>	<ul style="list-style-type: none"> <li>Develop program of activities from procedures</li> <li>Establish monitoring program</li> </ul>
<b>Project outputs</b>	Identified risks	Estimated risk level	Policy	Implemented policy

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