



Audit Committee

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held via

**Kingston Room, Civic Centre
24 Jetty Rd, Brighton**

Wednesday 9 September 2020 at 6.00pm

Roberto Bria
CHIEF EXECUTIVE OFFICER

AGENDA



Audit Committee Agenda

1. OPENING

The Presiding Member, Councillor Smedley will declare the meeting open at 6.00pm

2. APOLOGIES

2.1 Apologies received

2.2 Absent

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 23 July 2020 be taken as read and confirmed.

Moved _____, Seconded _____

Carried/lost

5. PRESENTATION

6. ACTION ITEMS

6.1 Action Item List – 9 September 2020

7. REPORTS BY OFFICERS

7.1 Standing Items (Report No: 245/20)

7.2 Policy Review – Prudential Management (Report No: 267/20)

8. URGENT BUSINESS – Subject to the Leave of the Meeting

9. CONFIDENTIAL ITEMS

9.1 Loan Receivables (Report No: 246/20)

Pursuant to Section 90(2) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in

confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- d. commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and would, on balance, be contrary to the public interest.

10. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on Wednesday 7 October 2020 at the Brighton Civic Centre, 24 Jetty Rd Brighton in the Kingston Room at 6.00pm.

11. CLOSURE

**ROBERTO BRIA
CHIEF EXECUTIVE OFFICER**



**AUDIT COMMITTEE
ACTION ITEMS
As at 9 September 2020**

Meeting	Agenda Item	Action Required	Responsibility	Estimated Completion Date	Current Status
17 October 2018	6.4 Brighton Oval Redevelopment Review	Review Council report template to include a section on risk implications.	GM Strategy & Business Services	November 2020	New Council report template drafted and currently consulting key stakeholders for feedback.
17 October 2018	6.4 Brighton Oval Redevelopment Review	Some guidance to be included in the Prudential Management Policy on when in the project lifecycle that a prudential management report is undertaken. This also to be included in the Project Management training	GM Strategy & Business Services	September 2020	Policy tabled at 25 May 2020 meeting to be brought back at 9 September meeting.
17 October 2018	6.4 Brighton Oval Redevelopment Review	Council's Prudential Management Policy will be reviewed and if necessary amended to clarify the forms of recommendations the Prudential Report and any covering paper must make to Council - for example unqualified, or qualified.	GM Strategy & Business Services	September 2020	Policy tabled at 25 May 2020 meeting to be brought back at 9 September meeting.
19 June 2019	6.1 Standing Items	Review of Financial Policies and Procedures (Action from the Control Track Assessment)	Manager, Finance	September 2020	Will be part of the Control Track Assessment. Galpins to review existing financial policies and procedures
19 June 2019	6.1 Standing Items	Disaster Recovery Plan, including IT Function, to be reviewed and brought back to the Committee (Action from the Control Track Assessment)	GM Strategy & Business Services	October 2020	Disaster Recovery Plan drafted and currently under review. To be tabled at the October meeting.
19 June 2019	6.1 Standing Items	Schedule quarterly stocktake of inventory items (Acton from the Control Track Assessment)	Manager, Finance	June 2020	Working with Manager, Field Services to implement process for stocktake. Galpins to review frequency as part of the Internal Audit Plan.

Item No: **7.1**

Subject: **STANDING ITEMS – AUGUST 2020**

Date: 9 September 2020

Written By: Manager Financial Services

General Manager: Strategy and Business Services, Ms P Jackson

SUMMARY

The Audit Committee is provided with a report on standing items at each ordinary meeting.

RECOMMENDATION

That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:

- **Monthly Financial Statements**
 - **Risk Management and Internal control**
 - **Audit – External/Internal**
 - **Public Interest Disclosures – previously Whistle-Blowing**
 - **Economy and Efficiency Audits**
 - **Audit Committee Meeting Schedule**
-

COMMUNITY PLAN

Culture: Enabling high performance
Culture: Being financially accountable
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999, Sections 41 and 126
Public Interest Disclosure Act 2018

BACKGROUND

The Audit Committee has previously resolved that a report be included in the agenda of each meeting of the Committee addressing the following standing items:

- Monthly financial statements
- Risk management and Internal Controls
- Audit – External/Internal
- Public Interest Disclosures – previously Whistle-Blowing
- Economy and efficiency audits

Also included in this Standing Items report is an item to formally advise the Committee of the outcomes of its recommendations and advice to Council. This is aimed at 'closing the communication loop' between the Committee and Council.

REPORT

Monthly Financial Statements

Members of the Committee receive copies of the monthly financial reports as soon as practical after they are provided to Council.

Risk Management

Internal Controls

Administration is not aware of any material changes to Council's internal controls not otherwise disclosed since the previous Standing Items report on 25 May 2020.

Council uses ControlTrack software product for its internal control assessment and review. It is based on the Better Practice Model for internal controls endorsed by the South Australian Local Government Financial Management Group.

Internal controls have been reduced based on the program recommended by Galpins. The controls were assessed and reviewed by managers during May and June 2020. The outcomes have been reviewed by Galpins and the ControlTrack assessment report for Council and Alwyndor activities is attached.

Refer Attachment 1 and 2

It is expected that Council's external auditor will review the assessments and outcomes as part of the 2019-20 transaction audit.

External Audit

Council's external auditor, BDO, has completed the interim 2019/20 transaction audit of Council and Alwyndor activities. They will attend Council offices in September 2020 to complete the 2019/20 audit. An audit completion report will be provided to the Audit Committee in October 2020.

Internal Audit

As part of the internal audit program the following audits are scheduled to be conducted by Galpins in 2020/21:

- Workforce Planning
- Stakeholder Management
- Asset Management – Short-term
- Financial Controls

Galpins has completed the Financial Controls audit for 2019/20.

Public Interest Disclosures

On 1 July 2019 the *Public Interest Disclosure Act 2018* came into effect replacing the *Whistleblowers Protection Act 1993*. The new laws strengthen transparency and accountability across government by establishing a scheme that encourages and facilitates the appropriate disclosure of public interest information to certain persons or authorities. Council has endorsed the Public Interest Disclosure Policy aligned to the model policy provided by the Local Government Association.

There have been no public interest disclosures made to Council since the previous standing items report on 23 July 2020.

Section 130A Economy and Efficiency Audits

Council has not initiated any review pursuant to section 130A of the *Local Government Act* since the previous Standing Items Report on 23 July 2020.

Council Recommendations

At its meeting on 11 August 2020 Council received the minutes and endorsed the recommendations of the meeting of the Audit Committee held on 23 July 2020.

2020 Meeting Schedule

The Audit Committee's terms of reference require it to meet at least 4 times each year and at least once each quarter. During 2020 meetings have been set to align with the two important financial programs in which the Audit Committee plays important roles:

- Development of the annual business plan and budget; and
- Completion of the annual financial statements, external audit and annual report.

In order to accommodate the above reporting requirements the following ordinary meeting schedule is proposed for 2020:

- Wednesday 7 October 2020.

Attachment 1



Galpins

Accountants, Auditors & Business Consultants

City of Holdfast Bay

Internal Audit Report – Internal Financial Control Monitoring

August 2020



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Background

Each financial year, Council performs a financial internal controls self-assessment (CSA) process to provide assurance that Council is meeting its obligations under s125 of the Local Government Act 1999:

“A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.”

The CSA is restricted to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

The CSA process conducted by Council constitutes Council's internal financial control monitoring program, as required by the *Better Practice Model – Internal Financial Controls for South Australian Councils*.

Conduct of the CSA

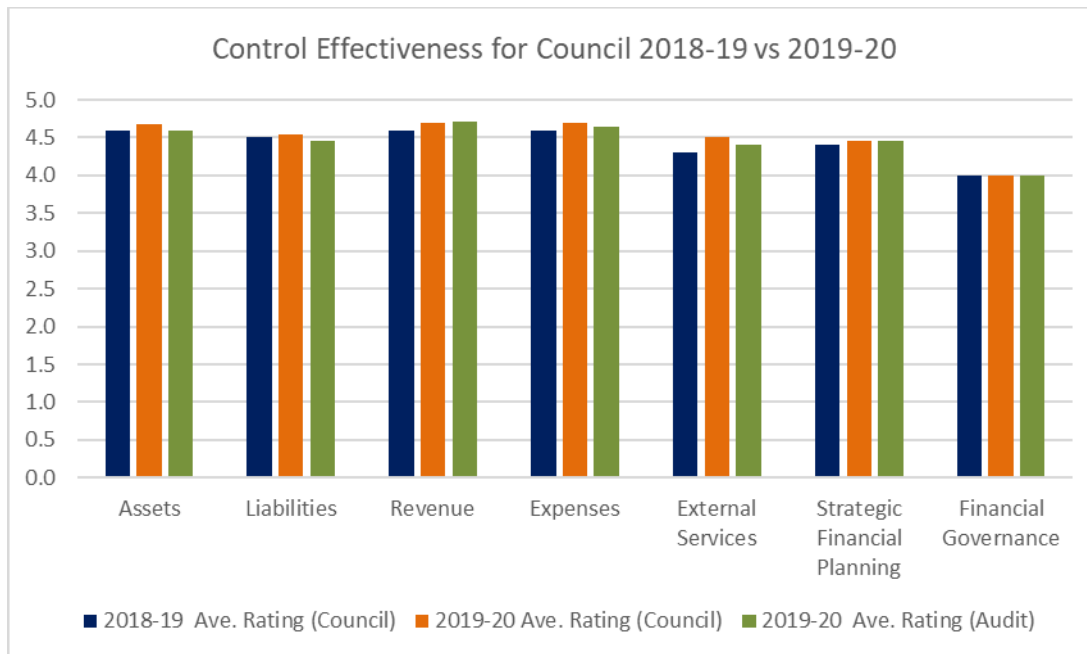
The CSA was finalised by Council staff on the 25th June 2020, encompassing a review of the operating effectiveness of 88 controls for Council as selected per the risk-based control monitoring methodology. Each control was given an effectiveness score out of 5 by both an 'assessor' (typically staff member responsible for performing the control activity) and a reviewer (typically the manager responsible for overseeing the control activity).

Control effectiveness scores are defined as follows:

Definitions of Control Effectiveness Ratings	
1. Ineffective	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
2. Requires significant improvement	During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.
3. Partially effective	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
4. Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
5. Effective	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

Results of the CSA

The results of the CSA indicate a high level of control effectiveness for Council, and some continuous improvement in results compared to the prior year. The following table illustrates the average effectiveness scores determined by Council assessors and reviewers in 2019-20 in comparison to the 2018-19 scores, and in comparison to the results of the internal audit review.



**Audit rating based average of assessor / reviewer score for controls not tested in audit sample*

Internal audit review of control ratings

Internal Audit reviewed the reasonableness of effectiveness ratings assigned by Council by selecting a sample of controls and reviewing evidence supporting the assigned rating. Our methodology was as follows:

- A sample of controls were selected for independent verification. Controls were selected based on a number of factors, including:
 - existence of a variance between the assessor's / reviewer's effectiveness rating
 - a treatment plan was recommended in the prior year's review
 - the control related to a key financial policy
 - specific control selection based on auditor judgement, including controls considered to be particularly important or at greater risk of control failure (e.g. due to high volume, multiple responsible persons, reliance on manual processes)
- Documentation supporting the assessor / reviewer rating was requested, based on specific documents referenced by the assessor / reviewer in their comments and the auditor's knowledge of expected supporting documents.
- These documents were reviewed to perform an independent verification of the controls and conclude if the effectiveness rating scored by the assessor/ reviewer was reasonable.

Results of our review

Overall, there was a high degree of consistency with Council's assessor/ reviewer assessment scores and the scores determined by internal audit.

Of the 19 controls reviewed, two controls were scored lower by Internal Audit than either the Assessor or Reviewer score. These controls were assigned an effectiveness score of 4 (majority effective) by Audit compared to a 5 (effective) by Council.

See **Table 1** for more detail regarding controls tested and effectiveness scores assigned.

There were no treatment plans assigned by Council resulting from the CSA. Treatment plans are only required in ControlTrack for controls with an effectiveness rating of 3 or less, and therefore findings of the internal audit review confirm that no treatment plans are mandatorily required.

There were three treatment plans from the 2018-19 CSA related to controls reviewed in the 2019-20 CSA. The status of these was reviewed by internal audit, and these were confirmed as being completed. See **Table 2** for further details.

In the interest of continuous improvement, internal audit has suggested some better practice treatment plans in relation to some controls with an effectiveness rating of 4. These are detailed in the 'Recommended Treatment Plans' section of this report.

Table 1 – Controls selected for Internal Audit review

Description	Reason for selection	Assessor / reviewer rating	Audit effectiveness rating	Auditor comments
There is a process in place for the regular review of all grant income to monitor compliance with the terms of the grant.	Prior treatment plan	A = 5, R = 5	5	N/A
Management and/or Council to approve all tied grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant.	Assessor / reviewer difference	A = 3, R = 4	4	N/A
Council reviews services where grant funding has ceased to ensure it understands the financial impact on its sustainability.	Prior treatment plan	A = 5, R = 5	5	N/A
All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Assessor / reviewer difference	A = 5, R = 4	4	It was reported by the responsible person that there were no applications for rebate of rates that required CEO approval for the 2019/2020 financial year.
Delegations are in place for adjusting or waiving fees for service charges adopted in the fees and charges register.	Assessor / reviewer difference	A = 4, R = 5	5	N/A
There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Assessor / reviewer difference	A = 5, R = 4	4	N/A
Requested changes or additions to supplier master file are verified independently of source documentation.	Assessor / reviewer difference	A = 4, R = 5	4	N/A
All loans are in accordance with treasury management policy(ies) which outline appropriate approval mechanisms and authority required.	Key policy	A = 5, R = 5	5	N/A
There are robust and transparent evaluation and selection processes in place to engage contractors	Assessor / reviewer	A = 5, R = 4	4	The Council's Procurement Policy was last reviewed on the 23rd of May 2017. The next

Description	Reason for selection	Assessor / reviewer rating	Audit effectiveness rating	Auditor comments
where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	difference and key policy			review was due in May 2020. Recommended Treatment Plan 1.
There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	Key policy	A = 4, R = 4	4	N/A
There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Audit judgement	A = 5, R = 5	4	Audit notes that overtime is not pre-approved prior to the time being worked. Recommended Treatment Plan 2.
The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Audit judgement	A = 5, R = 5	5	N/A
Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Key policy	A = 5, R = 5	4	The Procurement Policy refers to transparency and value for money when performing procurement activities. Conflicts of interest not explicitly addressed in the policy, though are addressed in other Council policies / Code of Conduct.
Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Assessor / reviewer difference	A = 4, R = 5	4	The Council's Procurement Policy was last reviewed on the 23rd of May 2017. The next review was due in May 2020. Recommended Treatment Plan 1.
Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated. Assets - Banking	Audit judgement	A = 5, R = 5	5	N/A
Access to EFT Banking system is restricted to appropriately designated personnel.	Assessor / reviewer difference	A = 4, R = 5	4	N/A
There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.	Assessor / reviewer difference and	A = 5, R = 4	5	N/A

Description	Reason for selection	Assessor / reviewer rating	Audit effectiveness rating	Auditor comments
	prior treatment plan in place			
Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Key policy	A = 5, R = 5	4	Council does not have a separate policy dealing with depreciation of assets. Instead, Internal Audit was referred to the financial statement notes. See Recommended Treatment Plan 3.
Council has a clear and comprehensive investment policy to assist when making any decisions to invest funds.	Key policy	A = 5, R = 5	5	N/A

Recommended Treatment Plans

Recommended Treatment Plan 1: There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.

The Council's Procurement Policy was last reviewed on the 23rd of May 2017, with the next review due in May 2020. The Procurement Policy is therefore overdue for review.

Recommended Treatment Plan 1	Review the Procurement Policy.
Management Response	A comprehensive review was undertaken with substantive changes made to the existing policy. The updated version is currently being reviewed by management, with completion due soon.

Recommended Treatment Plan 2: There is a process to ensure all overtime is verified and approved by relevant appropriate staff.

Overtime is not pre-approved prior to the work being performed.

It was reported that *“with the move to electronic timesheets and more efficiency, overtime would be approved in principle prior to commencing but documents written up and approved along with other leave and timesheet details at the end of the pay fortnight”*.

Pre-approval of overtime is a preventative control that can reduce the risk of excessive / unnecessary overtime being performed.

Recommended Treatment Plan 2	Implement a process where staff are required to obtain approval for overtime prior to work being performed.
Management Response	A significant amount of Council's overtime is rostered and thus preapproved. A review of other types of overtime would be beneficial, but consideration would need to be given to the cost versus benefit as all overtime is approved before payment is made.

Recommended Treatment Plan 3: Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.

The notes to the Financial Statements detail depreciation method used and useful lives for all asset classes. Residual values for assets are not provided.

Internal Financial Control Monitoring

Liability limited by a scheme approved under Professional Standards Legislation

It is better practice for Council to have a separate Asset Accounting Policy detailing policy decisions for the depreciation of assets, including useful lives, residual values and depreciation method for each asset class. The notes to the financial statements would then be based on the Asset Accounting Policy.

The calculation of depreciation is a key accounting estimate requiring significant professional judgement, and open to a significant degree of differing interpretations / assumptions. An Asset Accounting Policy is a preventative control that ensures the rules and assumptions applied to the calculation of depreciation are consistently applied and in line with Council's understanding of its assets and expectations for how they will be used and managed.

Recommended Treatment Plan 3	Develop an Asset Accounting Policy which includes all relevant assumptions underpinning the calculation of depreciation for all asset classes.
Management Response	Agree with comments.

Table 2 – 2018-19 ControlTrack assessment treatment plans status update

Internal audit performed a follow up on the status of the previous ControlTrack Assessment Treatment Plans

#	Risk Category	Business Process	Control	Rating from 2018-19 CSA	Rating from 2019-20 CSA	Status	Assessment Comments and update
1	Asset	Debtors	There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority. BPM Control Type: Core Control Code: ASS-DEB-0015	3	A= 5, R=4	Complete	Credit notes are authorised by the officer requesting the original invoice be raised and then referred to accountant for independent review. A review of all credit notes raised is carried out periodically by the Management Accountant from a system generated report. All credit notes are kept on system and paper copies filed.
2	Revenue	Grants	Council reviews services where grant funding has ceased to ensure it understands the financial impact on its sustainability. BPM Control Type: Core Control Code: REV-GRA-0001	3	A= 5, R=5	Complete	Grants are reviewed by Council as a part of Budget Reviews. This process is embedded in the budget review process and is considered effective.
3	Revenue	Grants	There is a process in place for the regular review of all grant income to monitor compliance with the terms of the grant. BPM Control Type: Core Control Code: REV-GRA-0004	3	A= 5, R=5	Complete	Grants are monitored via quarterly reporting, and CPM grants module contains evidence of approval and other relevant documentation.

Disclaimers

Inherent limitations

This report has been prepared for the information and internal use of the City of Holdfast Bay in accordance with the scope and objectives outlined in the Executive Summary of this report. The services provided in connection with this engagement comprise an advisory engagement which is not subject to the Australian Auditing Standards or the Australian Standards on Review and Assurance Engagements. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures were on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the City of Holdfast Bay's management and personnel. We have not sought to independently verify those sources. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the City of Holdfast Bay. The internal audit findings expressed in this report have been formed on the above basis.

Third party reliance

This report is solely for the purpose set out in the Executive Summary of this report and for the City of Holdfast Bay's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This internal audit report has been prepared at the request of the City of Holdfast Bay or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to City of Holdfast Bay, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the City of Holdfast Bay's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

Attachment 2



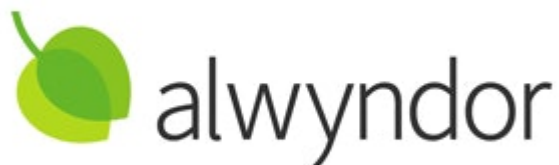
Galpins

Accountants, Auditors & Business Consultants

Alwyndor Aged Care

Internal Audit Report – Internal Financial Control Monitoring

August 2020



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Background

Each financial year, Alwyndor performs a financial internal controls self-assessment (CSA) process to provide assurance that Council, as a related entity, is meeting its obligations under s125 of the Local Government Act 1999:

“A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.”

The CSA is restricted to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the Alwyndor during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

The CSA process conducted by Alwyndor constitutes Alwyndor’s internal financial control monitoring program, as required by the *Better Practice Model – Internal Financial Controls for South Australian Councils*.

Conduct of the CSA

The CSA was finalised by Alwyndor staff on the 14th July 2020, encompassing a review of the operating effectiveness of 81 controls as selected per the risk-based control monitoring methodology. Each control was given an effectiveness score out of 5 by both an ‘assessor’ (typically staff member responsible for performing the control activity) and a reviewer (typically the manager responsible for overseeing the control activity).

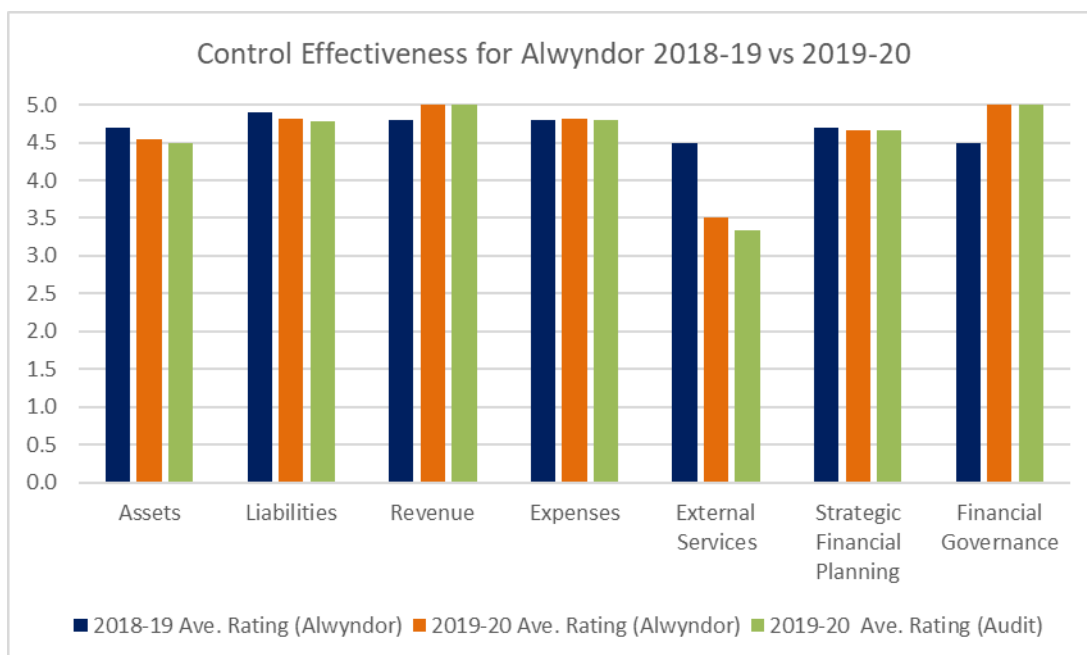
Control effectiveness scores are defined as follows:

Definitions of Control Effectiveness Ratings	
1. Ineffective	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
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3. Partially effective	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
4. Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
5. Effective	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

Results of the CSA

The results of the CSA indicate a high level of control effectiveness for Alwyndor. Some decline in effectiveness ratings can be observed for external services, however this is not necessarily a reflection of a reduction in internal controls, rather a difference in opinion between the reviewers in 2020 compared to those in 2019. Alwyndor was previously following the Council's procurement policies to evaluate and select contractors; it has now used these policies as a foundation to develop Alwyndor-specific policies to make the process more relevant to the organisation and improve the effectiveness rating. These new policies are not yet fully implemented. Additionally, the contract management process is currently under review.

The following table illustrates the average effectiveness scores determined by Alwyndor assessors and reviewers in 2019-20 in comparison to the 2018-19 scores, and in comparison to the results of the internal audit review.



**Audit rating based on average of assessor / reviewer score for controls not tested in audit sample*

Internal audit review of control ratings

Internal Audit reviewed the reasonableness of effectiveness ratings assigned by Alwyndor by selecting a sample of controls and reviewing evidence supporting the assigned rating. Our methodology was as follows:

- A sample of controls were selected for independent verification. Controls were selected based on a number of factors, including:
 - existence of a variance between the assessor's / reviewer's effectiveness rating
 - a treatment plan was recommended in the prior year's review
 - the control related to a key financial policy

-
- specific control selection based on auditor judgement, including controls considered to be particularly important or at greater risk of control failure (e.g. due to high volume, multiple responsible persons, reliance on manual processes)
 - Documentation supporting the assessor / reviewer rating was requested, based on specific documents referenced by the assessor / reviewer in their comments and the auditor's knowledge of expected supporting documents.
 - These documents were reviewed to perform an independent verification of the controls and conclude if the effectiveness rating scored by the assessor/ reviewer was reasonable.

Results of our review

Overall, there was a high degree of consistency with Alwyndor's assessor/ reviewer assessment scores and the scores determined by internal audit.

Of the 20 controls reviewed, only two controls were scored lower by Internal Audit than either the Assessor or Reviewer score. These controls were assigned an effectiveness score of 4 (majority effective) by Audit compared to a 5 (effective) by Alwyndor staff. All other controls were assigned scores consistent with the Assessors and Reviewer.

See **Table 1** for more detail regarding controls tested and effectiveness scores assigned.

Treatment plans are only required in ControlTrack for controls with an effectiveness rating of 3 or less. A number of treatment plans were created by Alwyndor staff in 2018-19 and 2019-20 for controls with an effectiveness rating of 3 or less. The status of these is summarised in **Table 2**.

In the interest of continuous improvement, internal audit has suggested one additional better practice treatment plan in relation to a control with an effectiveness rating of 4. This is detailed in the 'Recommended Treatment Plans' section of this report.

Appendix 1 – Controls selected for Internal Audit review

Description	Reason for selection	Assessor / reviewer rating	Audit effectiveness rating	Auditor Comments
Process to establish the annual budget and ensure it is aligned with the Alwyndor Strategic Plan, including Long Term Financial Plan and Asset Management Plans.	Assessor / reviewer difference and Treatment plan	A = 4, R = 3	3	It was reported that the Strategic Plan is near completion. The development of the Asset Management Plan is in progress.
All journals, including manual entries, identify date posted, narration, author, journal and posting reference.	Assessor / reviewer difference	A = 5, R = 4	5	N/A
Recorded changes to the supplier master file are review through an exception report.	Assessor / reviewer difference	A = 5, R = 4	4	It was reported that the system does not provide an audit trail report of all the changes made to the supplier master file.
There is an approval process for all staff requests for leave and leave taken is recorded by somebody independent from the approval.	Assessor / reviewer difference	A = 4, R = 5	5	N/A
There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	Treatment plan	A = 3, R = 3	3	N/A
There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	Assessor / reviewer difference	A = 3, R = 4	3	The contract management process review is in progress and it is expected to be completed on 31/12/2020.
There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	Key policy	A = 4, R = 4	4	Approval signatures do not have names / positions printed, reducing ability to determine who has approved. Opportunity to strengthen transparency / accountability. Recommended Treatment Plan 1.
There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Audit judgement	A = 5, R = 5	5	N/A
There is a process in place to ensure employees are not added to the payroll master file, nor details amended, or amounts paid without receipt of the	Assessor / reviewer difference	A = 5, R = 4	5	N/A

Description	Reason for selection	Assessor / reviewer rating	Audit effectiveness rating	Auditor Comments
appropriate forms which have been authorised by relevant staff.				
The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Audit judgement	A = 5, R = 5	4	Approval signatures do not have names / positions printed, reducing ability to determine who has approved. Opportunity to strengthen transparency / accountability. Recommended Treatment Plan 1.
The listing of payroll deductions is periodically reviewed by relevant staff for accuracy, compliance with statutory requirement and ongoing pertinence with changes compared to authorised source documents to ensure that they were input accurately.	Prior Treatment Plan	A = 4, R = 4	4	N/A
Employees must ensure all purchases are in accordance with Alwyndor's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Audit judgement	A = 5, R = 5	5	Sample testing performed – no exceptions noted.
Alwyndor has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Prior Treatment Plan and key policy	A = 3, R = 3	3	N/A
Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Audit judgement	A = 5, R = 5	4	Approval signatures do not have names / positions printed, reducing ability to determine who has approved. Opportunity to strengthen transparency / accountability. Recommended Treatment Plan 1.
The organisation maintains a Debt Collection Policy and/or procedure.	Prior Treatment Plan	A = 4, R = 4	4	Alwyndor does not have a policy or formal documented procedure for Debt Collection as the risk level is low, however outstanding debtors are checked regularly and any aged debtors are followed up. The majority of billing is collected via direct debit, meaning there is rarely a need for debt collection

Description	Reason for selection	Assessor / reviewer rating	Audit effectiveness rating	Auditor Comments
				procedures. If debt collection is needed the procedure is determined on a case by case basis depending on the type of client and what service they have used. A treatment plan is already in place to develop a policy as a better practice measure.
Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Prior Treatment Plan	A = 3, R = 3	3	N/A
There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Prior Treatment Plan	A = 4, R = 4	4	N/A
Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.	Prior Treatment Plan	A = 3, R = 3	3	N/A
Asset Management Plans are prepared, and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Prior Treatment Plan	A = 3, R = 3	3	N/A
Alwyndor has a clear and comprehensive investment policy to assist when making any decisions to invest funds.	Key policy	A = 5, R = 5	5	N/A

Recommended Treatment Plans

Recommended Treatment Plan 1: Opportunity to print names when authorising items

Reviewers and authorisers who approve documents (for example credit card statements, payroll reports and bank reconciliations) sign their names, but do not print their names or positions on documents.

Existing internal staff who are familiar with delegate's signatures may be able to identify the reviewers and authorisers. However, staff / external parties who are not familiar with staff's signatures may not be able to verify if the appropriate delegate has reviewed and authorised the documents. This can be important, for example, in the event of fraud or error where historic records may need to be examined to determine accountability. A simple control, such as maintaining a signature register or requiring names to be printed, can reduce the risk of staff approving items without the appropriate delegation.

Recommended Treatment Plan 1	Create a signature register to ensure that signatures can be readily identified. Alternatively, require delegates to print their names below their signatures when approving documents.
Management Response	A signature register will be developed and maintained.

Appendix 2- Alwyndor Aged Care 2018-19 / 2019-20 ControlTrack Assessment Action Plans Status

Internal audit performed a follow up on the status of ControlTrack Assessment Action Plans

#	Risk Category	Business Process	Control	Rating from 2018/19 CSA	Rating from 2019/20 CSA	Status	Treatment Plan	Assessment Comments and update
1	Assets	Debtors	The organisation maintains a Debt Collection Policy and/or procedure. BPM Control Type: Core Control Code: ASS-DEB-0013	2	A=4, R=4	Not Started Due Date: 30/06/2021	Debt Collection Policy to be created.	Alwyndor does not have a policy or formal documented procedure for Debt Collection, however outstanding debtors are checked regularly and any aged debtors are followed up. Risk level considered low, the majority of billing is collected via direct debit, meaning there is rarely a need for debt collection procedures. If debt collection is needed the procedure is determined on a case by case basis depending on the type of client and what service they have used.
2	Assets	Fixed Assets	There is a process in place for the verification of fixed assets which is reconciled to the FAR. BPM Control Type: Core Control Code: ASS-FIX-0014	3	A=4, R=4	In progress Due Date: 31/12/2020	Fixed Assets, asset accounting policy to be reviewed.	Several methods of verification are in place. Independent valuations are performed every 5 years. All capital acquisitions are signed off to ensure that the asset has been received, is being treated as capital and entered into the asset schedule. The end of month checks ensure that all asset additions are accurate. Most assets require regular (at least annual) maintenance recorded in the maintenance schedule, acting as a form of stocktake. Assets in the maintenance schedule have been reconciled against the asset register. This process is being reviewed and streamlined so that the purchasing and maintenance of assets are all tied together in the one system.
3	Assets	Fixed Assets	Relevant staff review useful lives, residuals, valuations, depreciation	3	A=3, R=3	In progress	Fixed Assets, asset	Assets are regularly maintained and serviced based on a maintenance schedule. The Finance

#	Risk Category	Business Process	Control	Rating from 2018/19 CSA	Rating from 2019/20 CSA	Status	Treatment Plan	Assessment Comments and update
			methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans. BPM Control Type: Core Control Code: ASS-FIX-0013			Due Date: 31/12/2020	accounting policy to be reviewed	Manager reviews the useful lives and depreciation methodology every two years. Independent valuations are performed every 5 years. Asset Management Plan development is currently in progress which will include a review of the communication between the finance team and maintenance team to ensure assets are effectively monitored and disposals are appropriately documented.
4	Assets	Fixed Assets	Alwyndor has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence. BPM Control Type: Core Control Code: ASS-FIX-0006	3	A=3, R=3	In Progress Due Date: 31/12/2020	Fixed Assets, asset accounting policy to be reviewed	Capitalisation thresholds are in place for Fixed Assets, asset accounting policy under review.
4	Assets	Fixed Assets	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors. BPM Control Type: Core Control Code: ASS-FIX-0003	3	A=3, R=3	In Progress Due Date: 31/12/2020	Complete Asset Management Plan	The development of the Asset Management Plan is in progress. Scheduled maintenance systems are in place to maintain/monitor assets against priorities, and any damage arising. Protocols around asset management and registration could be clearer and better communicated to purchasers to ensure preferred and compliant suppliers are always used. Management of assets is undertaken by a register.
5	Expenses	Payroll	The listing of payroll deductions is periodically reviewed by relevant staff for accuracy, compliance with statutory requirement and ongoing pertinence with changes compared to authorised source documents to	3	A=4, R=4	Complete	N/A	The finance team check deductions such as salary sacrifice, CBB salary packaging, extra tax deductions and authorised by management. Fortnightly changes to employee deductions are reviewed and approved as part of payroll process. Any changes to or additions of new payroll deductions are made by Finance Manager.

#	Risk Category	Business Process	Control	Rating from 2018/19 CSA	Rating from 2019/20 CSA	Status	Treatment Plan	Assessment Comments and update
			ensure that they were input accurately. BPM Control Type: Core Control Code: EXP-PAY-0011					
	Expenses	Purchasing and Procurement	Alwyndor has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest. BPM Control Type: Core Control Code: EXP-PUR-0003	4	A=3, R=3	In Progress Due Date: 30/09/2020	Finish Implementation of Procurement system	Alwyndor was following the Council's procurement policies, however staff did not find the process easy to follow as the policies were designed for Council. New policies have been developed to make the process more relevant to Alwyndor while still following the required council processes. The new policies are currently being implemented and have received a positive result so far.
	Expenses	Purchasing and Procurement	There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations. BPM Control Type: Core Control Code: EXT-CON-0005	5	A=3, R=3	In Progress Due Date: 31/12/2020	Finalise and Implement Contractor Management System	There is a contract management process in place however the processes are currently under review. Contractors are kept in Skytrust, with business unit managers responsible for ensuring contractors meet their obligations. Notifications are automatically sent when documentation becomes due (insurance etc). The review will include an overview of how effective the Skytrust system is and if staff are storing data and monitoring contracts appropriately. Following the review, the system will be more streamlined, co-locating the Contractor Register and Contractor Data e.g. Contracts, Insurance Certificates etc in one location. The management of this will reside with the Quality Systems Manager.
	Financial	Governance	There is a process in place to ensure all policies and procedures	3	A=3, R=3	In Progress	Embed refined	Process around policy review currently being refined

#	Risk Category	Business Process	Control	Rating from 2018/19 CSA	Rating from 2019/20 CSA	Status	Treatment Plan	Assessment Comments and update
	Governance		referenced in the Better Practice Model are reviewed for appropriateness and relevance. BPM Control Type: Core Control Code: FIG-GOV-0003			Due Date: 31/12/2020	policy review process	
6	Liabilities	Accounts Payable	Recorded changes to the supplier master file are review through an exception report. BPM Control Type: Core Control Code: LIA-ACC-0009	3	A=5, R=4	In Progress Due Date: 31/12/2020	Establish process for supplier management	Significant progress made. A report is now completed on payment of EFT's showing any changes made to Supplier Bank Details and copy of changes attached with two signatures. Report flags changes to bank details only, system does not provide audit report for all changes in the supplier master file.
	Revenue	User Pay Income – Fees for Service	There is a process in place to determine and approve discounts to be applied to Home Care. BPM Control Type: Core Control Code: REV-USE-0009	3	A=3, R=3	Not Started Due Date: 30/06/2021	Create Home Care Fee Waiver policy and procedure	There is currently a process of fee waivers using an Alwyndor endorsed Fee Waiver Form, with Manager approval in place. However, no documented procedure exists highlighting when a fee waiver can be approved, the conditions of the fee waiver, when it needs to be reviewed and who can approve the fee waiver.
7	Strategic Financial Planning	Budgets	Process to establish the annual budget and ensure it is aligned with the Alwyndor Strategic Plan, including Long Term Financial Plan and Asset Management Plans. BPM Control Type: Core Control Code: STR-BUD-0004	3	A=4, R=3	In Progress Due Date: 31/10/2020	Finalise Alwyndor's strategic plan	The annual budget is prepared in alignment with the Alwyndor Strategic Plan/Long Term Financial Plan and reported as such. The strategic plan and asset management plan were not finalised in time for budget due to staffing changes during the year however the timing would usually coincide. The draft strategic plan, draft asset management plan and draft asset replacement schedule was used in preparation of the budget.

Disclaimers

Inherent limitations

This report has been prepared for the information and internal use of the Alwyndor Aged Care in accordance with the scope and objectives outlined in the Executive Summary of this report. The services provided in connection with this engagement comprise an advisory engagement which is not subject to the Australian Auditing Standards or the Australian Standards on Review and Assurance Engagements. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures were on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Alwyndor Aged Care's management and personnel. We have not sought to independently verify those sources. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Alwyndor Aged Care. The internal audit findings expressed in this report have been formed on the above basis.

Third party reliance

This report is solely for the purpose set out in the Executive Summary of this report and for the Alwyndor Aged Care's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This internal audit report has been prepared at the request of the Alwyndor Aged Care or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to Alwyndor Aged Care, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Alwyndor Aged Care's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

Item No: 7.2

Subject: **Policy Review – Prudential Management**

Date: 9 September 2020

Written By: Manager Strategy and Governance

General Manager: Strategy and Business Services, Ms P Jackson

SUMMARY

A Prudential Review Policy was approved on 13 March 2018. While a policy review was not due until March 2021, the Policy has been reviewed early at the request of the Audit Committee.

A desktop review of other Councils' policies has been undertaken and an amended Prudential Management Policy. The Policy was tabled at the Audit Committee meeting of the 25 May 2020, and feedback provided by Audit Members for consideration. Administration has considered the feedback and the Policy is tabled for endorsement.

RECOMMENDATION

That the Audit Committee endorse the submission of the revised Policy to Council for approval.

COMMUNITY PLAN

Culture: enabling high performance
Culture: being financially accountable

COUNCIL POLICY

Prudential Review Policy 2018

STATUTORY PROVISIONS

Local Government Act 1999

BACKGROUND

The *Local Government Act 1999* (the Act) sets out extensive provisions to ensure transparency and accountability of Council decision-making and operations, including section 48, which defines prudential requirements for certain activities.

The second reading speech for the Local Government Bill 1999 noted that prudential requirements had the twin aim of flexibility and accountability.

Therefore, the revised Prudential Management Policy (the Policy) aims to:

- ensure that projects are undertaken only after an appropriate level of due diligence is applied,
- ensure that projects are effectively managed during delivery and appropriately evaluated after completion to confirm they achieve identified public benefits/goals, and
- minimise financial risks.

REPORT

Section 48 of the Act is prescriptive about a number of matters, including:

- the prudential issues which must be considered
- the conditions under which a report addressing the specified prudential issues must be obtained and considered by Council,
- the types of projects excluded (road construction and maintenance, and drainage works)
- who may prepare the report.

A desktop review of twelve randomly selected policies from other Councils identified a number of consistent approaches to prudential management across the sector, as well as revealing some differences. A matrix showing the policies reviewed is provided as Attachment 1.

Refer Attachment 1

Key commonalities relate to legislative requirements.

Key differences relate to:

- the policy approach (ie, whether compliance or principle focused),
- whether the policy applies narrowly (ie, only to projects required by section 48 of the Act) or broadly (ie, all Council projects),
- the level of specificity about operational matters (for example, specifying report disclosure, whether auditors can be engaged to write reports, the indexed amount as at a particular date etc)
- the process, specificity of the process and whether other frameworks and tools are included in achieving prudential management (for example, project management frameworks, risk assessment processes, etc).

It is understood that the intent of the Prudential Management Policy for the City of Holdfast Bay is to ensure that:

- decision-making is clear, prudent and accountable, and
- projects are well planned (properly costed and properly scoped with clear deliverables and outcomes), and
- projects are delivered as expected (time, quality, budget).

To achieve this, the Prudential Management Policy does not stand alone. A user-friendly project management framework (currently in development), high quality project governance processes (currently under review), and clear delegations form part of the suite of tools needed to achieve high quality prudential management. Administration are currently working on building maturity and capability across a number of governance and project management activities.

In the interim, legislative compliance also necessitates a Prudential Management Policy. A revised version of the current policy is provided as Attachment 2.

Refer Attachment 2

The Policy was tabled at the Audit Committee on 25 May 2020. Feedback was received for consideration by Administration. The feedback related to the timing of Prudential Reports, a new requirement for recommendation in the Report and nature of the risk assessment requirements under the draft Policy. Administration reviewed the feedback in line with the requirements under the *Local Government Act*, and against the broader practice across the sector. The draft Policy currently meets the requirements of the Act and is aligned to practice across the sector. Administration tables the draft Policy for endorsement without any amendments.

BUDGET

Not applicable at this time.

LIFE CYCLE COSTS

Building capability to improve project discipline will incur costs, however, these should be absorbed within existing budgets as part of continuous improvement.

Attachment 1



	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
Campbelltown City Council	Council needs to follow prudential management legislation when it decides to undertake a project that has a greater than usual risk in regard to financial or corporate governance arrangements.	Council is committed to a pro-active risk management approach when undertaking significant projects that have a high initial or long term impact on its budgets. Council will make open, transparent and informed decisions in regard to prudential projects.	A project or commercial activity being undertaken by Council or a subsidiary of Council that requires prudential legislative requirements to be followed.	Before Council engages in a prudential project, the Chief Executive Officer will engage the services of a suitably qualified independent person in accordance with Sections 48(4) and 48(4a), to prepare a prudential report that includes all issues listed in Section 48(2) of the Act. Council will ensure that prudential projects are only undertaken after an appropriate level of due diligence has been applied to the proposed project.	Council will not call for the preparation of a prudential report during a local government election period (as defined in Section 91A(8) of the Local Government (Elections) Act 1999) nor commit an incoming Council to engaging in a prudential commercial activity or project during an election period.	Except where information needs to be protected under Section 48(6) of the Act, adopted prudential reports will be available at the Council office and on Council's website for inspection by members of the public within 5 working days of the Council meeting at which the report was adopted. Adopted prudential reports will remain available for inspection by members of the public for at least one year beyond completion of the prudential project or activity	Jul-19
City of Tea Tree Gully	This policy has the following objectives: • To ensure that major Council projects are undertaken only after an appropriate level of Due Diligence is applied to the proposed project • To ensure that each major Council project is: o managed during the project o evaluated after the project • To achieve identified public benefits or needs; and to minimise financial risks.	The objectives of this Policy will be considered in a report on any potential Project, regardless of the financial impact or the size of the Project. Any proposed Project must first be assessed to determine the level of Due Diligence that is applicable. This will be managed in accordance with Council's Delegations Register. All proposed Projects, must follow the Project Management Framework requirements and include at a minimum: • The specific benefits or needs to be addressed by the proposed Project • The inclusion of impacts or learnings from similar past Projects • The expected whole of life costs of the proposed Project • Any key financial risks relating to the Project.	This Policy applies to all Council projects, no matter how large or small, to ensure compliance with this provision, and that decision making in respect of any project is made with reliable, accurate and timely information. The decision maker accordingly should make an evaluation as to the extent of Due Diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed Project. As a first step, the decision maker must ascertain: • Whether funding of the whole of life costs of the proposed Project will (or might) require additional allocations beyond those already accommodated in Council's long term financial plan • Whether the proposed Project will (or might) generate any additional financial or other risks for the Council. Seeking the answers to these two questions is a threshold Due Diligence test. If the decision maker is sure that whole of life costs and financial risks are already accounted for, then no further action is necessary. However, in many cases, the decision maker will not be sure of these answers, and will require a second step. The Act requires that a report must be developed where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or where the expected capital cost of the Project over the ensuing five years is likely to exceed \$4,000,000 (indexed). A full prudential report may also be commissioned under Section 48, for any other Project for which the Council considers that it is necessary or appropriate. A report is not required in relation to road construction or maintenance or drainage works. If a full prudential report is not sought, the Council will record its reasons for not obtaining such a report. This might be satisfied simply by noting (if appropriate) that the proposed Project has been assessed under this policy, or under a DDR as being of low or negligible financial risk.	Due Diligence before a decision on whether to proceed This DDR will include, in relation to the proposed Project: • An analysis of the need or demand • Identification and quantification of the expected financial and other benefits • Identification and quantification of the likely whole of life financial and other costs, including staffing and project management costs • Assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the proposed Project) and consideration of ways they can be managed and/or mitigated • Assessment of other non-financial risks • An evaluation that weighs up all of the factors above. For the smallest Projects with low financial risk, this DDR may comprise only a single page and may be prepared by a single staff member and their corporate leader. Larger, more complicated and/or financially high risk Projects will require a DDR containing correspondingly more information and assessment, as required by the decision maker, with input from two or more officers. For example, the decision maker may request a DDR from a working party of Council officers, or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, project management, town planning etc. In requesting and preparing a DDR, the decision maker and Council officers must determine and manage risks as outlined in the Enterprise Risk Management Framework and follow the process requirements specified under the Project Management Framework.			Dec-17

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
			In the event of an emergency or business interruption scenario, consideration for community and staff safety and wellbeing may require a level of financial commitment to be made without seeking a full prudential report. When business as usual circumstances are restored, such decisions will be reviewed by the Chief Executive Officer.				
City of Norwood, Payneham and St Peters	Prudential Management requires financial risks or adverse financial consequences to be considered, minimised or offset to ensure that the proposed benefits are achieved.	The Principles of this Policy are: - To ensure that the Council undertakes projects only after an appropriate level of "due diligence" is applied to the proposed projects; and - Each project is managed during and evaluated after to ensure that the project achieved the identified public benefit and or needs and to minimise financial risk.	For projects greater than \$4.0* million (indexed), the Council will prepare a Prudential Management Report which complies with the requirements of Section 48(2) of the Act. For projects less than \$4.0* million (indexed), the Council will prepare a Due Diligence Report (Funding Submissions) which at a minimum are required to assess the following: - the benefits (financial or otherwise) and the needs of the project; - identification and quantification of the whole of life financial and other costs, including staffing and project management; - assessment of associated risks (including the risk of delaying or not proceeding) and considerations of ways the risk can be managed or mitigated.	Prudential projects will not commence until the Council has considered and adopted the Prudential Management Report		The Chief Executive Officer will appoint a suitably qualified independent person to prepare the Prudential Management Report. Except where information is required to be protected under Section 48 (5), once adopted Prudential Management Reports will be made available to the public on the Council's website and for inspection at the Council's Principal Office. The Council will not call for the preparation of a Prudential Management Report during the Local Government Election Caretaker Period.	Mar-18
District Council of Robe	This policy has two Objectives. 3.1 to ensure that a Council project is undertaken only after an appropriate level of "due diligence" is applied to the proposed project; and 3.2 to ensure that each Council project is: • managed during the project and • evaluated after the project, to achieve identified public benefits or needs; and to minimise financial risks. The Objectives of this Policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.		This policy applies to all projects (as defined below) regardless of size. A project may be defined as "a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset". This should not be interpreted to mean that all Council activities are "projects". Regular, ongoing deliveries of Council services are not "new and discrete" activities so therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to produce products or services. Simply purchasing an item of plant or equipment, (e.g. a single vehicle) or a parcel of land will constitute a "project" if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council's Procurement Policy. However, a "project" will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land. All projects should be considered in the context of not only this policy, but also Council's Risk Management Plan. The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed	Any proposed project must first be assessed as to the level of due diligence that is required. The Chief Executive has delegated authority to exercise some (depending upon budgetary allocations and other Council policies) of the Council's powers to approve projects. Therefore, for a particular project, the decision-maker may be the Chief Executive, or the Council. When approval is being sought or considered for a specific project, information must be provided to the decision-maker to indicate approximately, at first instance: • the specific benefits or needs to be addressed; • the extent to which it may be substantially similar to other past projects; • the expected whole-of-life costs of the project; and • what, if anything, is known about the levels of financial risk that may be involved. After a decision has been made to commence a project, it will be managed according to the principles of due diligence. The Council will take action to manage the project so that: • the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and • financial risks identified in the DDR are managed appropriately. After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project: • has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and • has avoided or mitigated the financial risks identified in the DDR.			Dec-18

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
			<p>project.</p> <p>As a first step, the decision-maker must ascertain:</p> <ul style="list-style-type: none"> • whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan and budget; and • whether the proposed project will (or might) generate any additional financial risk for the Council. <p>Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision-maker is sure that whole-of-life costs and financial risks are already accounted for, then no further action is necessary. However, in many cases, the decision-maker will not be sure of these answers, and will require a second step.</p> <p>To resolve any doubt, the decision-maker must request preparation of a due diligence report (DDR).</p> <p>Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR will include, in relation to the proposed project:</p> <ul style="list-style-type: none"> • an analysis of the need or demand; • identification and quantification of the expected financial and other benefits; • identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs; • assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the project) and consideration of ways they can be managed and/or mitigated; • an evaluation that weighs up all of the factors above. <p>For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decisionmaker, with input from two or more officers.</p> <p>For any project that falls in an area where there is a significant financial risk, a DDR must also include a project feasibility study, to provide a high level consideration of the expected costs and revenues over the life of the project, using discounted cashflow analysis. One important aspect that will be considered in such a study is the reliability of these costs and revenues within these calculations, particularly if revenues are dependent on future market conditions.</p>				
City of Charles Sturt	This policy seeks to enhance Council's existing policies and procedures govern Council's strategic management processes.		This policy covers the prudential review requirements when consideration is being given to a project that falls within the requirements of Section 48 (1) of the Local Government Act. These requirements are:	The engaged author will prepare a Prudential Report in accordance with this policy and the legislation for consideration of Council prior to the project commencement.		A report will be presented to Council for the consideration of the engagement of a suitably qualified author to undertake Prudential Reviews in accordance with this policy. The author will be an independent person who is skilled in the assessment of prudential issues relevant to the proposed projects against the requirements of	Sep-18

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
			<p>the ensuring five years is likely to exceed \$4,000,000 (indexed); or</p> <p>iii. where the Council considers that it is necessary or appropriate.</p> <p>In accordance with Section 48 (3) this policy does not apply to a) road construction or maintenance; or b) drainage works.</p> <p>A report will be presented to Council for the consideration of the engagement of a suitably qualified author to undertake Prudential Reviews in accordance with this policy. The author will be an independent person who is skilled in the assessment of prudential issues relevant to the proposed projects against the requirements of Section 48 of the Local Government. This may be an employee of Council; however in such instance the person must not have an interest in the proposed project.</p>			Section 48 of the Local Government. This may be an employee of Council; however in such instance the person must not have an interest in the proposed project.	
City of Burnside	<p>It imposes a standard of governance that encompasses effective prudential management and proper consideration of the impact of decisions for major projects.</p> <p>Ensure that each of Council's major projects are:</p> <ul style="list-style-type: none"> - undertaken only after an appropriate level of due diligence is applied to the proposed project; - managed appropriately during the project and evaluated after the project in terms of the use of council and other public resources to achieve identified public benefits or needs and to minimise financial risks; and - meeting the Prudential Report requirements when consideration is being given to a project that falls within the requirements of Section 48 (1) (b) of the Act. 	<p>3.1. Regularly review, update and adopt leading governance, risk management and administrative practices.</p> <p>3.2. Ensure the long-term sustainability of Council by monitoring and comparing to peak body indicators.</p> <p>3.3. Make open, transparent and informed decisions in regard to projects based on reliable, accurate and timely information</p> <p>3.4. Provide sufficient resources to meet current and future needs of the community.</p>	<p>Any proposed project must first be assessed as to the level of due diligence that is required. When approval is requested for a specific proposed project, the following information must be provided, at the very least to the authorised delegate:</p> <p>7.1.1.1. the specific benefits or needs to be addressed by the proposed project;</p> <p>7.1.1.2. the extent to which the proposed project may be substantially similar to other past projects;</p> <p>7.1.1.3. the expected whole-of-life costs of the proposed project; and</p> <p>7.1.1.4. what levels of financial risk may be involved.</p> <p>The authorised delegate must ascertain whether:</p> <p>7.2.1.1. funding of the whole-of-life costs of the proposed project may require additional allocations beyond those already accommodated in Council's long-term financial plan; and</p> <p>7.2.1.2. whether the proposed project may generate any additional financial risk for the Council;</p> <p>7.2.2. Where the whole-of-life costs and the financial risks have been accounted for, no further action is necessary. However, where this is not the case, a due diligence report must be prepared.</p> <p>Depending upon the extent of due diligence required by the authorised delegate, a due diligence report of greater or lesser detail will be prepared. This due diligence report may include, in relation to the proposed project:</p> <p>7.3.4.1. an analysis of the need or demand;</p> <p>7.3.4.2. identification and quantification of the expected financial and other benefits;</p> <p>7.3.4.3. identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;</p> <p>7.3.4.4. assessment of the associated financial risks (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways they can be managed and/or mitigated; and</p> <p>2.2.1.1 an evaluation that weighs up all of the factors above</p> <p>Council will obtain a Prudential Report that addresses</p>	<p>Council's objectives of this Policy are to ensure that each of Council's major projects are: 6.1.1 undertaken only after an appropriate level of due diligence is applied to the proposed project;</p> <p>After a decision has been made to commence a project, it will be managed according to the principles of due diligence.</p> <p>12.2. Council will take action to manage the project so that:</p> <p>12.2.1. the project remains focussed upon the expected public benefits or needs that have been identified in the due diligence report; and</p> <p>12.2.2. financial risks identified in the due diligence report are managed appropriately.</p> <p>After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project:</p> <p>13.1.1. has achieved the public benefits or needs identified in the Due Diligence Report that it was intended to achieve or satisfy; and</p> <p>13.1.2. has avoided or mitigated the financial risks identified in the Due Diligence Report.</p>	<p>Council cannot delegate the consideration of the report. Council's Management will consider the impact that the whole of life costs of an asset or project will have on Council's Long Term Financial Plan and, if relevant, on the Council's Asset Management Plan and Risk Management Plan. The careful integration of these plans should result in a successfully managed, implemented and administered project regardless of the size of the project.</p>	<p>The Prudential Report will form part of the Council Agenda papers and will be a public document unless it been determined otherwise by the Council in accordance with Section 90 of the Act.</p> <p>If a Prudential Report is not requested, Council will record its reasons for not obtaining such a report.</p> <p>If a full Prudential Report is not sought for any project which fits the criteria's listed above, the reasons for not obtaining such a report will be recorded by the Project Manager and endorsed by the Executive Management Team prior to the project proceeding or being committed to.</p> <p>Pursuant to Section 48(5) and (6) of the Act and subject to restrictions to protect commercial confidentiality, or other people's financial affairs, the report will become a public document after Council has made a decision on the project (or earlier at the Council's discretion).</p> <p>Section 48(4) of the Act provides that this report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues as required per legislation.</p> <p>9.2. The Chief Executive Officer will ensure that prudential management reporting, as outlined above, is undertaken by a suitably qualified person independent of the project.</p>	

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			<p>prudential issues, in relation to a proposed project:</p> <p>8.2.1. where the expected expenditure of Council over the ensuing five years is likely to exceed 20% of Council's average operating expenses over the previous five financial years (as shown in the Council's financial statements); or</p> <p>8.2.2. where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million (indexed). Per Section 48(6d) of the Act, \$4 million (indexed) means that the amount is to be adjusted for the purposes of this Section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.</p> <p>8.3. Council may also obtain a report:</p> <p>8.3.1. in the case of projects that have been assessed as having a business risk profile of 'high' (in line with Council's Risk Management Framework), where the expected capital cost of the project over the ensuing five years is likely to exceed \$3 million (indexed); or</p> <p>8.3.2. where the business risk profile of the project is considered as extreme, as determined by the Project Manager and Executive Management Team and in conjunction with Council's Risk Management Framework.</p> <p>8.4. The Act provides, under Section 48(3) that a Prudential Report is not required in relation to road construction or maintenance or drainage works, even when the cost of such works would exceed the expenditure levels cited above.</p> <p>Scope includes S48(2) plus: The report will contain further information about the risks of the project and how these risks will be managed and a consideration as to whether these risks have been adequately addressed.</p> <p>The report will also contain sensitivity analyses on a best case, worst case and most likely outcome assuming the parameters used. Consideration will also be given to the impact on the Council's long term financial position.</p>				
City of Marion	<p>The City of Marion is committed to excellence in governance and using a best practice approach to transparent and accountable decision making. The City of Marion recognises the importance of prudential management of all projects it undertakes.</p> <p>The policy aims to ensure:</p> <ul style="list-style-type: none"> - a Council project is undertaken only after an appropriate level of "due care, diligence and foresight" is applied to the project; - any risks associated with the project are identified, managed and mitigated; - Council makes informed decisions and in the public 		<p>The policy applies to all projects (as defined below) regardless of size undertaken by the City of Marion. In addition, specific reporting requirements apply to projects as defined within s48(1) of the Local Government Act 1999 (the LG Act).</p> <p>"Project" Means a new and discrete undertaking or activity that would involve the:</p> <ul style="list-style-type: none"> - expenditure of money, and/or - deployment of resources, and/or - incurring or assuming a liability, accepting an asset or divestment of an asset. <p>A project has a defined beginning and end. Regular, ongoing deliveries of Council services are not "projects".</p> <p>The decision maker should determine with respect to any project (based on the size, complexity and amount of financial or other risk) the level of:</p> <ul style="list-style-type: none"> - Due care and diligence that is required <p>At a minimum this should require an assessment of:</p> <ul style="list-style-type: none"> o the benefits and needs of the project 	Not specified	This report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues s48(4) and must not be a person who has an interest in the relevant project as defined in s48(6a) - (6c).	<p>The decision-maker for any proposed project may be the Council, the Chief Executive or an officer of the Council to whom sub-delegation has been made (as reflected in the Council's Schedule of Delegations and Sub-delegations).</p> <p>Any complaint about this policy or the way in which it has been applied should be made in writing to the Manager Governance.</p>	Dec-12

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
	<p>interest; - Council is accountable for the use of Council and other public resources.</p>		<p>o whether the project will (or might) generate any additional risks for the Council; o the financial sustainability of a project (large or small) and whether funding of the whole-of-life costs of the project will (or might) require additional allocations beyond those already accommodated in Council's annual budget and long-term financial plan - Details required This may range from a single page describing the project scope, to a comprehensive business case (using the Corporate "Project Management Template – Business Case" and/or the IIMM Continuous Improvement Matrix - Excellence). - Risk assessment appropriate This may range from, a simple note that the proposed project has been determined as being of low or negligible risk, to a more detailed risk assessment in consultation with the Risk Management Unit. - Expertise required This may range from a single staff member (for the smallest projects with least risk), to a working party of staff and external specialists with expertise in areas such as engineering, finance, project management, town planning (for more complicated and/or riskier projects). - Accountability and reporting required - Post project implementation review and evaluation appropriate Evaluation and review can identify systemic issues and opportunities for improvement. 4.3 Adequate resources will be allocated to the prudential management of projects and staff will be appropriately trained.</p> <p>Under the LG Act, a report addressing the prudential issues set out in Section 48(2) must be prepared for any project that meets the criteria set out in s48(1) of the Act: (i) where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or (iii) where the council considers that it is necessary or appropriate.</p>				
<p>City of Mitcham</p>	<p>The Prudential Management Policy seeks to outline Council's approach towards prudential management and to meet the requirements of the Act. It imposes a standard of governance that encompasses effective prudential management and proper consideration of the impact of decisions for major projects.</p> <p>The Policy ensures that Council acts with due care, diligence and foresight,</p>		<p>Council recognises that due diligence and effective project management is necessary for all projects regardless of size; however it is neither practical nor efficient for all projects to be subject to full prudential management reporting requirements. This Prudential Management Policy applies to all projects subject to the criteria listed under 4.1.</p> <p>For large commercial or non-commercial projects (including through a subsidiary or participation in a joint venture, trust, partnership or other similar body), Section 48(1) of the Act requires that a full Prudential Report be prepared for Council. Council will therefore obtain a report that addresses prudential issues, in relation to a proposed project:</p>	<p>Prudential management commences prior to making a decision to proceed with a major project and continues throughout the life of the project.</p> <p>If a full Prudential Report is not sought for any project which fits criteria 3 and 4 listed above, the reasons for not obtaining such a report will be recorded by the Project Manager and endorsed by the Executive Leadership Group prior to the project proceeding or being committed to.</p> <p>The requirement for a Prudential Report is considered as part of the project proposal and the setting of the Annual Business Plan and Budget.</p> <p>After a decision has been made to commence a project,</p>	<p>Council's internal and external auditors are precluded from preparing reports.</p> <p>Council cannot delegate the consideration of the report.</p>	<p>The Chief Executive Officer will ensure that prudential management reporting, as outlined above, is undertaken by a suitably qualified person independent of the project.</p> <p>The Prudential Report will form part of the Full Council Meeting Agenda and will be a public document unless it is determined otherwise by the Council in accordance with Section 90 of the Local Government Act 1999,</p>	<p>Oct-19</p>

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
	identifies and manages risks associated with major projects, makes informed decisions and is accountable for the use of public resources.		<p>1. Where the expected expenditure of Council over the ensuing five years is likely to exceed 20% of Council's average operating expenses over the previous five financial years (as shown in the Council's financial statements); and</p> <p>2. Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million (indexed).</p> <p>Council may also obtain a report:</p> <p>3. In the case of projects that have been assessed as having a business risk profile of 'high', where the expected capital cost of the project over the ensuing five years is likely to exceed \$1 million (indexed); or</p> <p>4. Where the business risk profile of the project is considered as extreme, as determined by the Project Manager and Senior Management Team and in conjunction with Council's Risk Management Framework.</p> <p>The Act provides, under Section 48(3) that a Prudential Report is not required in relation to road construction or maintenance or drainage works, even when the cost of such works would exceed the expenditure levels cited above.</p> <p>Report content: S48(2) plus The report will contain further information about the risks of the project and how these risks will be managed and a consideration as to whether these risks have been adequately addressed.</p> <p>The report will also contain sensitivity analyses on a best case, worst case and most likely outcome assuming the parameters used. Consideration will also be given to the impact on the Council's long term financial position.</p> <p>Assets, including roads, land, and buildings can be received by Council for no consideration. This would have the effect of increasing the asset stock of Council and the consequent asset management costs. On the other hand there may be additional rate revenue generated from a new asset. Council will need to consider whether a proposed asset transfer is a project that needs to be subject to a full Prudential Report under Section 48 of the Act or whether it may be covered by a standard process of effective due diligence under this Policy. Where appropriate, depending on the level of risk, Council staff may treat an asset being received free of charge as a major project under the Prudential Management Policy, making it subject to full Prudential Reporting.</p>	<p>it will be managed according to the principles of due diligence.</p> <p>Council will take action to manage the project so that:</p> <p>4.5.2.1. the project remains focussed upon the expected public benefits or needs that have been identified in the due diligence report; and</p> <p>4.5.2.2 financial risks identified in the due diligence report are managed appropriately.</p> <p>After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project:</p> <p>4.6.1.1 has achieved the public benefits or needs identified in the Due Diligence Report that it was intended to achieve or satisfy; and</p> <p>4.6.1.2 has avoided or mitigated the financial risks identified in the Due Diligence Report.</p>			
Mid-Murray Council	This Policy has two objectives: (i) To ensure that a Council project is undertaken only after an appropriate level of "due diligence" is applied to the proposed project; and (ii) To ensure that each Council project is: · Managed during the project;	Prudential management may be described as taking a precautionary approach to proposed projects. Prudential management attempts to foresee what adverse financial consequence may arise from any project that Council is contemplating, and requires	The objectives of this Policy shall be considered in a report on any potential project regardless of the financial impact or size of the project. This Policy applies to all projects as defined regardless of size to ensure that decision making in respect to any project is made with reliable, accurate and timely information. Without limited Subsection 48(aa1), a Council must	The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project. As a first step, the decision-maker must ascertain: · whether funding of the whole-of-life costs of the proposed project will (or might) require additional	Regular ongoing deliveries of Council services are not "new and discrete" activities so therefore are not included within this definition.		Feb-20

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
	<ul style="list-style-type: none"> · Evaluated after the project, to achieve identified public benefits or needs; and · To minimise financial risks. 	<p>management of the project in such a manner as to capture the proposed benefits, while minimising, offsetting or otherwise taking account of the foreseeable financial risks.</p>	<p>obtain and consider a report that addresses the prudential issues set out in Subsection (2) before the Council:</p> <p>(a) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body);</p> <p>(i) where the expected expenditure of the Council over the ensuing five years is likely to exceed 20 per cent of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or</p> <p>(ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or</p> <p>(iii) where the Council considers that it is necessary or appropriate.</p> <p>Section 48 (3) of the Act states that: A report is not required under subsection (1) in relation to –</p> <p>(a) road construction or maintenance; or</p> <p>(b) drainage works</p> <p>As such, this Policy applies to all Council projects that are covered under the legislative definitions above, and other projects deemed necessary by the Council or the Chief Executive Officer based on the general risk of the project proposal.</p> <p>Any proposed project must first be assessed as to the level of due diligence that is required. The Chief Executive Officer or Manager has delegated authority to exercise some (depending upon budgetary allocations and other Council Policies) of the Council's powers to approve projects and expend funds. Therefore, for a particular project, the decision-maker may be the Chief Executive Officer, Departmental Director or the Council. As a general guide Prudential Reports will only be obtained based on the provisions of Section 48(1)(b) of the Local Government Act 1999.</p> <p>When approval is being sought or considered for a specific proposed project, information must be provided to the decision-maker to indicate approximately, at first instance:</p> <ul style="list-style-type: none"> · the specific benefits or needs to be addressed by the proposed project; · the extent to which the proposed project may be substantially similar to other past projects; · the expected whole-of-life costs of the proposed project; and · what, if anything, is known about the levels of financial risk that may be involved. <p>For any project that involves:</p> <p>(i) other than insignificant or minor whole of life costs; and/or</p> <p>(ii) other than an insignificant or minor likelihood of financial risk occurring.</p> <p>A DDR must also include a project feasibility study to provide a high level consideration of the expected costs and revenues over the life of the project, using discounted cash flow analysis. One important aspect that will be considered in such a study is the reliability of these costs and revenues within these calculations, particularly if revenues are dependent on future market</p>	<p>allocations beyond those already accommodated in Council's long-term financial plan; and</p> <ul style="list-style-type: none"> · whether the proposed project will (or might) generate any additional financial risk for the Council. <p>Seeking the answers to these two questions is a threshold 'due diligence' test. If the decisionmaker is sure that whole-of-life costs and financial risks are already accounted for, then no further action is necessary. However, in many cases, the decision-maker will not be sure of these answers, and will require a second step.</p> <p>To resolve any doubt, the decision-maker must request preparation of a due diligence report (DDR).</p> <p>After a decision has been made to commence a project, it will be managed according to the principles of due diligence. The Council will take action to manage the project so that:</p> <ul style="list-style-type: none"> · the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and · financial risks identified in the DDR are managed appropriately. <p>After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project:</p> <ul style="list-style-type: none"> · has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and · has avoided or mitigated the financial risks identified in the DDR. 			

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
			<p>conditions.</p> <p>Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR will include, in relation to the proposed project:</p> <ul style="list-style-type: none"> · an analysis of the need or demand; · identification and quantification of the expected financial and other benefits; · identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs; · assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways they can be managed and/or mitigated; · an evaluation that weighs up all of the factors above. <p>For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decision-maker, with input from two or more officers.</p>				
City of Adelaide	The City of Adelaide will ensure that it: (a) acts with due care, diligence and foresight; and (b) identifies and manages risks associated with a project; and (c) makes informed decisions; and (d) is accountable for the use of Council and other public resources, throughout its prudential management practices and procedures for certain activities.		<p>This policy is intended to apply to activities where the City of Adelaide (or its subsidiaries): (a) engage in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body): (i) where the expected operating expenses calculated on an accrual basis of the Council over the ensuing five years is likely to exceed 20 per cent of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000.00 (indexed, excluding GST); or (iii) where the Council considers that it is necessary or appropriate. This policy is not intended to apply to activities in relation to: (a) road construction or maintenance; or (b) drainage works.</p> <p>(a) the fact that a project is to be undertaken in stages does not limit the operation of this policy in relation to the project as a whole. (b) \$4,000,000.00 (indexed) means that that amount is to be adjusted for the purposes of this policy on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009. As at 1 January 2018, this indexed amount is \$4,712,920.21.</p> <p>Where the City of Adelaide is undertaking an activity for which this policy is intended to apply, the Council (elected members) must obtain and consider a report that addresses the prudential issues of the activity</p>	Not specified	The Council (elected members) must give reasonable consideration to a report prepared under this policy (and must not delegate the requirement to do so).	<p>A report required pursuant to this policy must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues set out in this policy. Engagement of the person to draft the report and facilitate its presentation to the Council is the responsibility of the project manager for the project the subject of the prudential report. A report required pursuant to this policy must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the Council)</p> <p>A report prepared pursuant to this policy must be available for public inspection at the principal office of the Council, once the Council has made a decision on the relevant project (and may be available at an earlier time unless the Council orders that the report be kept confidential until that time). However, the Council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the Council).</p>	Feb-18
City of Port Adelaide Enfield	Council considers effective prudential management to be part of achieving the leadership	Accountability - Council is to be accountable for its activities and decisions which must be in the public interest.	This policy applies to projects undertaken by the City of Port Adelaide Enfield. Prudential management requirements are incorporated into Council's existing risk management processes with	The prudential report prepared in accordance with this policy and the relevant legislation will be considered at a Council meeting prior to project construction and/or commencement of implementation activity, with due	The Council's external auditor will not be engaged to provide a Section 48 report as legislation requires that Council's statutory auditor not	To obtain a Section 48 prudential report, the Council will appoint a suitably qualified independent person skilled in the assessment of	Dec-18

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed
	outcomes of being strategic and accountable.	<p>Probity - Council conduct aims to inspire confidence in the public sector and the integrity of public sector process.</p> <p>Due Care, Foresight and Diligence - Council will exercise due care foresight and diligence in the management of public resources.</p> <p>Risk Management - prudential requirements and reporting will be underpinned by Council's approach to risk assessment in accordance with its Risk Management Framework.</p>	<p>the obligations set out in Section 48(2)(a-i) included in the existing risk assessments undertaken for significant projects in accordance with Council's Risk Management Framework and Council's Administration Policy - Risk Management.</p> <p>Road construction and maintenance and drainage works may be undertaken in accordance with the Council's Procurement Policy without the requirement for these works to be assessed as projects for purposes of this policy, in accordance with Section 48(3) of the Act.</p> <p>Triggers for a prudential report Section 48(1) of the Act For large commercial or non-commercial projects, Section 48(1) of the Act requires that a full prudential report be prepared for and considered by Council in the following circumstances: (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or (ii) the expected capital cost of the project (excluding GST) over the ensuing five years is likely to exceed \$4 million (indexed as specified in Section 48(6d) of the Act); or (iii) the Council considers that it is necessary or appropriate. Section 48(1)(iii) of the Act The trigger for preparing a prudential report under Section 48(1)(iii) will include where a risk assessment conducted against the City of Port Adelaide Enfield's Risk Management Framework indicates a High or Extreme risk score. Where a full prudential report is not required in accordance with Section 48 of the Act, Council will ensure the project is conducted in accordance with the legislative principles of due diligence, as outlined in Section 48 (aa1) of the Act.</p> <p>Content S48(2) Plus An assessment will be conducted and results clearly and specifically included within the prudential report regarding the merits of the project in the context of the Council's strategic management plans, asset management plan, long term financial plan, and risk management plan.</p>	reference to Council's asset management plan, long-term financial plan, and risk management policy.	undertake activities outside the scope of the auditor's functions under the Local Government Act 1999 to avoid compromising the auditor's independence of the auditor's statutory responsibilities. However, the Council may engage an alternative auditor, or other suitably qualified person to prepare such a report, if that person is considered to be skilled in the assessment of the proposed project.	<p>the proposed project. This may include engineering, finance, infrastructure, and project management skills. The person appointed may be a member of staff but must not have an interest, nor be closely associated with a person who has an interest, in the relevant project. An interest is defined under Section 48(6a) of the Act and a close association is defined under Section 48(6b) of the Act.</p> <p>Subject to restrictions to protect commercial confidentiality, or other people's financial affairs, the report will become a public document after the Council has made a decision on the project (or earlier at the Council's discretion). Council will make the document available for public inspection at its principle place of business, the Civic Centre, 163 St Vincent Street, Port Adelaide. The prudential report will be published on Council's website for the duration of the project.</p>	
Wakefield Regional Council	<p>Prudential management aims to foresee what adverse financial consequences might arise from any Council project. It requires managing the project in a manner that captures the proposed benefits and minimises, offsets and takes account of the foreseeable financial risks.</p> <p>Objectives: To ensure major Council projects are undertaken only after an appropriate level of due</p>	Wakefield Regional Council strives to make prudent decisions and will undertake appropriate due diligence on its projects to get the best possible outcomes for the community.	<p>A Prudential Report must be prepared for Council for large projects where the expected capital or operating expenses calculated on an accrual basis of the Council over the ensuing five years is likely to exceed 20 percent of Council's average annual operating expenses over the previous five financial years. This is \$2.76 million based on the budgeted total operating expenditure for 2017/18.</p> <p>Exclusions: road construction or maintenance; or drainage works (stormwater drainage). Project: may be a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset.</p>	<p>Due diligence: is the conduct of a systematic review of a transaction prior to entering into that transaction.</p> <p>Any proposed project must first be assessed as to the level of due diligence that is required. When approval is being sought for a specific project, information must be provided to the correct delegated authority to approve the project which may be Council, the CEO or other officers with delegated authority to make such approval.</p> <p>The delegated authority will make an evaluation as to the extent of due diligence that must be undertaken before a decision is made to whether to proceed with the proposed project. This is the threshold due diligence test. It must be ascertained:</p>		<p>All projects should be considered in the context of not only this policy, but also Council's Risk Management Framework, Strategic Management Plans and annual plans and budgets.</p> <p>All DDRs will include estimated income and expenditure for the activity for the first five years and will be presented to a meeting of the Management Executive Team.</p>	Feb-19

	Purpose/Meaning	Principles	Scope	Timing	Policy Limitations	Other	Last Reviewed																																						
	<p>diligence is applied to the proposal;</p> <p>To ensure that each major Council project is well managed during the project and appropriately evaluated after the project;</p> <p>To comply with Section 48(aa1) of the Local Government Act 1999.</p>		<p>This should not be interpreted to mean that all Council activities are 'projects'. Regular, ongoing deliveries of Council services are not 'new and discrete' activities so therefore are not included within this definition.</p> <p>A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities. Simply purchasing an item of plant or equipment, (e.g. a single vehicle) or a parcel of land will constitute a project if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council's Procurement Policy. A project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land.</p> <p>Any proposed project must first be assessed as to the level of due diligence that is required. When approval is being sought for a specific project, information must be provided to the correct delegated authority to approve the project which may be Council, the CEO or other officers with delegated authority to make such approval. This information will include:</p> <ul style="list-style-type: none"> • The specific benefits or needs to be addressed; • The extent to which it may be substantially similar to other past projects; • The expected whole-of-life costs of the project; and • Levels of financial risk that may be involved. <p>If there is any uncertainty, the delegated authority must request preparation of a Due Diligence Report (DDR). There are three levels of due diligence reporting available (basic, comprehensive or feasibility), along with the Prudential report that may be required under Section 48. The type of report a responsible officer must provide is determined as follows:</p>	<ul style="list-style-type: none"> • Whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan and budget; and • Whether the proposed project will generate any additional financial (or other) risk for the Council. <p>If the delegated authority is unsure of these answers, a second step will be required.</p> <p>After a decision has been made to commence a project, the responsible officer will take action to manage the project so that:</p> <ul style="list-style-type: none"> • the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and • financial risks identified in the DDR are managed appropriately. <p>After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project:</p> <ul style="list-style-type: none"> • Achieved the benefits or needs that it was intended to achieve or satisfy (as identified in the DDR); and • Avoided or mitigated the financial risks identified in the DDR. <p>A brief project evaluation report will be prepared and reported to Council.</p>																																									
			<table border="1"> <thead> <tr> <th data-bbox="1050 1220 1332 1528"> Financial risk Including upfront & ongoing costs (whole of life) Likelihood of financial risk occurring </th> <th data-bbox="1332 1220 1555 1528"> Minor Financial risk \$50-\$100,000 </th> <th data-bbox="1555 1220 1783 1528"> Moderate Financial risk \$100- 250,000 </th> <th data-bbox="1783 1220 2009 1528"> Major Financial risk \$250-\$500,000 </th> <th data-bbox="2009 1220 2234 1528"> Serious Financial risk \$500,000 to \$2.76m </th> <th data-bbox="2234 1220 2457 1528"> Section 48 Financial risk greater than \$2.76m </th> </tr> </thead> <tbody> <tr> <td data-bbox="1050 1528 1332 1598">Almost Certain</td> <td data-bbox="1332 1528 1555 1598">Basic</td> <td data-bbox="1555 1528 1783 1598">Comprehensive</td> <td data-bbox="1783 1528 2009 1598">Project Feasibility</td> <td data-bbox="2009 1528 2234 1598">Project Feasibility</td> <td data-bbox="2234 1528 2457 1598">Prudential Report</td> </tr> <tr> <td data-bbox="1050 1598 1332 1667">Likely</td> <td data-bbox="1332 1598 1555 1667">Basic</td> <td data-bbox="1555 1598 1783 1667">Comprehensive</td> <td data-bbox="1783 1598 2009 1667">Comprehensive</td> <td data-bbox="2009 1598 2234 1667">Project Feasibility</td> <td data-bbox="2234 1598 2457 1667">Prudential Report</td> </tr> <tr> <td data-bbox="1050 1667 1332 1736">Possible</td> <td data-bbox="1332 1667 1555 1736">Basic</td> <td data-bbox="1555 1667 1783 1736">Basic</td> <td data-bbox="1783 1667 2009 1736">Comprehensive</td> <td data-bbox="2009 1667 2234 1736">Comprehensive</td> <td data-bbox="2234 1667 2457 1736">Prudential Report</td> </tr> <tr> <td data-bbox="1050 1736 1332 1806">Unlikely</td> <td data-bbox="1332 1736 1555 1806">Basic</td> <td data-bbox="1555 1736 1783 1806">Basic</td> <td data-bbox="1783 1736 2009 1806">Basic</td> <td data-bbox="2009 1736 2234 1806">Comprehensive</td> <td data-bbox="2234 1736 2457 1806">Prudential Report</td> </tr> <tr> <td data-bbox="1050 1806 1332 1875">Rare</td> <td data-bbox="1332 1806 1555 1875">Basic</td> <td data-bbox="1555 1806 1783 1875">Basic</td> <td data-bbox="1783 1806 2009 1875">Basic</td> <td data-bbox="2009 1806 2234 1875">Basic</td> <td data-bbox="2234 1806 2457 1875">Prudential Report</td> </tr> </tbody> </table>	Financial risk Including upfront & ongoing costs (whole of life) Likelihood of financial risk occurring	Minor Financial risk \$50-\$100,000	Moderate Financial risk \$100- 250,000	Major Financial risk \$250-\$500,000	Serious Financial risk \$500,000 to \$2.76m	Section 48 Financial risk greater than \$2.76m	Almost Certain	Basic	Comprehensive	Project Feasibility	Project Feasibility	Prudential Report	Likely	Basic	Comprehensive	Comprehensive	Project Feasibility	Prudential Report	Possible	Basic	Basic	Comprehensive	Comprehensive	Prudential Report	Unlikely	Basic	Basic	Basic	Comprehensive	Prudential Report	Rare	Basic	Basic	Basic	Basic	Prudential Report						
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Attachment 2



Classification:	Statutory Policy
Trim Container	FOL/18/738
Trim Document Number:	DOC/XX/XXXX
First Issued / Approved:	13/3/18
Last Reviewed:	XX/XX/20
	C130318/1080
Next Review:	XX/XX/24
Responsible Officer:	Team Leader Governance
Date Placed on Web:	XX/XX/XX

1. PREAMBLE

1.1 Background

Prudential Management could be described as taking a precautionary approach to proposed projects. It requires managing projects in a manner that optimises proposed benefits and minimises, offsets and takes account of foreseeable risks.

This policy is made pursuant to Section 48(aa1) of *the Local Government Act 1999* (the Act), which provides that Council must develop and maintain policies practices and procedures for the assessment of projects to ensure that the Council:

- (a) acts with due care diligence and foresight; and
- (b) Identifies and manages risks associated with a project; and
- (c) makes informed decisions; and
- (d) is accountable for the use of Council and other public resources.

1.2 Purpose

This policy ensures that decision making regarding any project is made on the basis of reliable, accurate and timely information.

1.3 Scope

Under Section 48(1)(b) of the Act, there are specific prudential review requirements for projects that meet the following criteria where:

- (i) the expected operating expenses calculated on an accrual basis of the Council over the ensuing five years is likely to exceed 20 per cent of the Council's average operating expenses over the previous five financial years (as shown in Council's financial statements); or
- (ii) the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million (indexed); or
- (iii) the Council considers that it is necessary or appropriate.

Section 48(6d) states \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this Section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the

PRUDENTIAL MANAGEMENT POLICY

CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.

Section 48(3) states this policy does not apply to road construction or maintenance or drainage works.

If a project is to be undertaken in stages this does not limit the operation of the provisions in Section 48(1)(b) in relation to the project as a whole.

1.4 Definitions

Project may include any new or discrete undertaking or activity that would involve the expenditure of money, deployment of resources as commonly understood to be a project, or specified as being a project by Council or the Chief Executive Officer.

Due diligence means the systematic review of assumptions, risks and financial projections, prior to entering into any transaction, agreement or partnership.

1.5 Strategic Reference

Culture: enabling high performance

Culture: being financially accountable

2. PRINCIPLES

2.1 Due Diligence

Any project or activity undertaken by Council, whether within the scope of this policy or not, should apply due diligence in accordance with the principles of high performance.

2.2 Prudential Report

Projects falling within the scope of this policy require a Prudential Report to be prepared as part of project planning and prior to the commitment of funds being approved.

Any report prepared must be considered by Council and cannot be delegated to another committee or person (although it may be considered by another committee or person).

2.3 Prudential Report Author

Council will engage a suitably qualified independent person (whom the Council reasonably believes to be qualified to address prudential issues) to undertake a Prudential Report in accordance with this policy.

This may be completed by any person, who does not have an interest in the proposed project, who should be skilled in the assessment of the project being undertaken (and may be an employee of Council, including temporary contractors). Skills held may include but are not limited to engineering, finance, infrastructure, project management or town planning skills.

PRUDENTIAL MANAGEMENT POLICY

Expertise required may range from a single staff member (for the smallest projects with least risk), to a working party of staff and external specialists with expertise in certain areas (for more complicated and/or riskier projects). Adequate resources will be allocated to the prudential management of projects and staff will be appropriately trained.

A person has an interest in a project if the person or a person who is closely associated would:

- receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit; or
- suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.

A person who is closely associated with another person is defined in Section 48(6b) of the Act. A person who will not be considered as closely associated with another person is defined in Section 48(6c) of the Act.

Council's external auditor cannot be engaged but a different auditor could be.

2.4 Prudential Report Content

In accordance with Section 48(2) of the Act, a Prudential Report must address the following prudential issues:

- (a) the relationship between the project and relevant strategic management plans;
- (b) the objectives of the Development Plan in the area where the project is to occur;
- (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
- (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;

PRUDENTIAL MANAGEMENT POLICY

- h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
- i) the most appropriate mechanisms or arrangements for carrying out the project.
- j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.

2.5 Prudential Management Post Project Approval

After Council have given approval to commence a project, the responsible officer will take action to manage the project so that:

- the project remains focussed on delivering expected results as identified in the Prudential Report/Project Plan, and
- risks (including financial risks) identified in the Prudential Report/Project Plan are managed and reported on appropriately.

After a project has been completed, it will be evaluated to determine the extent to which the project:

- achieved the intended results as identified in the Prudential Report/Project Plan, and
- avoided or mitigated the risks (including financial risks) identified in the Prudential Report/Project Plan.

2.6 Timing of the Prudential Report

If a Prudential Report is required within the scope of this policy, it must be submitted to Council as part of project planning and prior to the commitment of funds being approved.

For projects that fall within the scope of this policy, no contract may be entered into until Council has considered a Prudential Report.

2.7 Public Access of the Prudential Report

The Prudential Report will form part of the Council Agenda papers and will be a public document unless it been determined otherwise by the Council in accordance with Section 90 of the Act. Council may determine to prevent specific information from being publicly available to protect its commercial value or to avoid disclosing financial affairs of a person.

3. REFERENCES

3.1 Legislation

- *Local Government Act 1999*
- *Land Valuers Act 1994*

3.2 Other References

- LGA Prudential Management Information Paper 27- Revised December 2019

PRUDENTIAL MANAGEMENT POLICY

- Procurement Policy
- Prudential Management Procedure
- Risk Management Policy