# Accounting Policies and Procedures Manual

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1 Purpose

1.1 The Accounting Policies and Procedures Manual (the Manual) documents the Internal Control adopted by Council to safeguard assets, secure the accuracy and reliability of accounting data and financial reporting and promote operational efficiency.

2 Scope


3 Definitions

3.1 Definitions within this Manual are consistent with Australian Accounting Standards.

4 Legislative and Corporate Requirements

4.1 The Manual is to be read and implemented in conjunction with Council’s other relevant policies, strategies and documents, including:

   4.1.1 Corporate Governance Framework (includes Internal Control Framework)
   4.1.2 Risk Management Policy
   4.1.3 Policy Manual
   4.1.4 Whistleblowers Protection Policy
   4.1.5 Anti-Fraud and Anti-Corruption Policy
   4.1.6 Strategic Plan 2012-2016
   4.1.7 Procurement Policy and Procedures
   4.1.8 Internal Control Model
   4.1.9 Independent Commissioner Against Corruption Act 2012 (ICAC)
5 Policy Statement

5.1 It is Council policy:

5.1.1 To have in place an adequate system of internal controls which promote high level of compliance with Council policies and procedures and to comply with Section 125 of the Local Government Act, 1999.

5.1.2 To implement and maintain a system of control to assist Council to carry out its activities in an efficient and orderly manner, ensure adherence to policies, safeguard Council’s assets and financial sustainability, and secure the accuracy and reliability of its records.

6 Application of Policy

6.1 The Manual brings together those policies and procedures that relate to the accounting activities of City of Prospect.

6.2 To maximise the accuracy and reliability of Council records, internal control procedures will support controls which emphasis the following:

6.2.1 Separation of roles and functions performed by staff
6.2.2 Review and reconciliation of financial records
6.2.3 Detecting and correcting irregularities
6.2.4 Access to, and security of, computer programs
6.2.5 Access to, and security of, cash, assets and other Council resources
6.2.6 Sound Budget Management including Council review
6.2.7 Ensuring adherence to policies and procedures
6.2.8 Containing the risks faced by Council to an acceptable level
6.2.9 Prudent Financial Governance
7 General Financial Transactions

7.1 Accounting/Bookkeeping

7.1.1 Council accounting records will be maintained on a full accrual basis using up to date methods of electronic data processing.

7.1.2 The following accounting records will be maintained:

1. Cash – consecutive record of cash receipts and payments

2. General Journals

3. General Ledger

4. Subsidiary Ledgers including Receivable/Payable/Rates/Assets

5. Other records necessary to fully document and explain the financial transaction of Council as required to comply with the Local Government Act, 1999 ("the Act") and Regulations in relation to other financially expressed obligations, (for example, budgeting and annual reporting)

7.1.3 Subsidiary ledgers shall be reconciled with the general ledger at least monthly.

7.1.4 There will be adequate and appropriate supervision of employees with sufficient employee backup to ensure that accounts and ledgers are adequately maintained.

7.1.5 The Manager Financial Services to sight and review all receipt reversals, journals, credit notes, reversal of rates journals and alterations to parameters of the rating system.

7.1.6 Employees working within the accounting function will have the capabilities and training, commensurate with their responsibilities.

7.2 Monies Received

7.2.1 Monies received shall be recorded by an entry for each individual transaction.

7.2.2 The payer shall be issued with a receipt/tax invoice upon request.

7.2.3 The receipt/tax invoice record shall indicate the mode of payment, i.e. cheque, cash, EFTPOS etc.

7.2.4 Cheques received shall, on receipt, be restrictively crossed “not negotiable”.

7.2.5 Receipts shall be issued in numerical sequence.

7.2.6 Details of each receipt shall be retained for the period prescribed by the State Records Act, 1997.
7.2.7 Details of each voided or reversed receipt shall be retained for the period prescribed by the State Records Act, 1997.

7.2.8 Cash floats may be issued to a cashier for use as change for monies received.

7.2.9 Mail will be opened centrally in the presence of two (2) employees.

7.2.10 Cheques and cash received through the mail will be forwarded to the Customer Services Officer for receipting and banking. Cash received must be logged in Cash Received Register.

7.3 Banking

7.3.1 Monies received by an officer or employee of Council must be paid into a Council bank account.

7.3.2 Monies received by or on behalf of Council must be banked as soon as practicable on or after the day of receipt.

7.3.3 Detailed records of Council’s banking activities must be kept.

7.3.4 Banking shall be reconciled with receipts.

7.3.5 Monies received will be delivered to the bank on days determined periodically by the Customer Service Coordinator or the Manager Financial Services.

7.3.6 In the intervening periods between banking, monies received will be deposited in the safe.

7.3.7 During peak rates periods, banking will be carried out on a daily basis to ensure that cash held on the premises is limited.

7.3.8 Cash held on the premises overnight shall remain insured to the value of $100,000 as per Council’s insurance policy.

7.3.9 Cheques over $25,000 will be banked on the day received where possible.

7.4 Petty Cash

7.4.1 Cash payments may be made out of a petty cash account established by Council for expense reimbursement only. Cash advances are not permitted unless authorised by the Manager Financial Services.

7.4.2 A cash reimbursement cannot, in respect of any particular docket or voucher, exceed $50 (including GST) unless authorised by the Manager Financial Services.

7.4.3 The cash floats for petty cash purposes:

<table>
<thead>
<tr>
<th>Location</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Thomas Street</td>
<td>$ 750</td>
</tr>
<tr>
<td>Civic Centre</td>
<td>$2,000</td>
</tr>
</tbody>
</table>
HACC  $ 300

$3,050

7.4.4 The petty cash account shall be reconciled at least weekly.

7.4.5 Approval of dockets is to be authorised in accordance with Council’s Delegation Manual.

7.4.6 Petty cash vouchers are subject to Council’s Procurement Policy and as such require signature by an Authoriser delegated under that Policy.

7.4.7 Petty cash transactions shall be recorded and supported by petty cash dockets and receipts (or statutory declaration where receipts cannot be provided).

7.4.8 The recipient of the petty cash will be required to sign a petty cash docket and provide supporting documentation when claiming.

7.4.9 The recipient of cash must not be the Authorising Officer, even if the staff member has delegated authority. The recipient must have a more senior delegated officer or one of equal authority sign the petty cash form.

7.4.10 Receipts presented to support petty cash purchases must quote the suppliers’ ABN and/or be a tax invoice where appropriate.

7.4.11 An audit of petty cash floats will be undertaken at least annually.

7.4.12 All responsible officers who administer petty cash must ensure they are fully aware of their responsibilities for safeguarding petty cash and have read and understood the petty cash policy and procedures.

7.4.13 Receipts which do not end in round dollars will need to be rounded when reimbursed via petty cash. The following approach will be taken in such instances:

   (a) Receipts ending in 1 or 2 cents will be rounded down to zero
   (b) Receipts ending in 3 or 4 cents will be round up to 5 cents
   (c) Receipts ending in 6 or 7 cents will be round down to 5 cents
   (d) Receipts ending in 8 or 9 cents will be rounded up

7.5 Bank Accounts

7.5.1 Bank accounts will be operated exclusively for the purpose of conducting Council business.

7.5.2 Those presently approved:

  (1) Chief Executive Officer
  (2) Director Corporate Services
7.5.3 At least two authorised bank signatories are required to authorise disbursements from bank accounts.

7.5.4 All accounts will be in the name of City of Prospect. New accounts can only be opened with the approval of the Chief Executive Officer and Director Corporate Services.

7.5.5 Bank reconciliation for each bank account operated by Council shall be prepared weekly.

7.5.6 Transactional banking is presently carried out through the ANZ Bank. Banking trends and costs will be monitored by the Manager Financial Services and this relationship will be maintained unless determined otherwise by Council resolution.

7.6 Investment

7.6.1 The Local Government Act, 1999 specifies:

1. Council must avoid investments that are speculative (Section 139)

2. Council is permitted to obtain independent and impartial advice concerning investment and/or the management of investments (Section 139)

3. Council must review the performance of their investments at least annually (Section 140)

4. Council must not directly acquire shares in a company. Council are not however, precluded from investing money in managed funds which invest in shares. (Section 47)

5. Council employees will be protected from civil liability for an honest act, or omission, in the exercise of their duties (Section 121)

7.6.2 Investment of Council's surplus funds will be with the Local Government Finance Authority unless determined otherwise by Council resolution.

7.6.3 Investment performance will be reviewed at the end of each financial year, and the outcome will be reported to Council.

7.6.4 For further details refer to Section 14 - Treasury Management Policy in this Manual.
7.7 Debitors

7.7.1 City of Prospect provides a range of services which are purchased by varying individuals and organisations. Income is received after the service is provided and a tax invoice is raised. It remains a debt to Council up to the time it is paid or written off (see below).

7.7.2 Staff will complete a Debtor Invoice Request Form (DIRF) immediately an amount becomes due and payable, and forward it to the finance section.

7.7.3 Tax Invoices will be raised upon receipt of a DIRF.

7.7.4 Tax Invoices numbers will be system generated and issued in numerical sequence and meet ATO legislative requirements.

7.7.5 Records shall be maintained for all debtors and transactions relating thereto.

7.7.6 Debtors have 30 days from the date of invoice before the amount is considered “overdue”.

7.8 Debt Collection

7.8.1 The policy does not apply to the collection of rate or infringement related debts but extends to specific user pay services such as licences and leases on sporting clubs and hall hire.

7.8.2 Council will apply prudent debt management practices. Outstanding debtor balances shall be reviewed at least monthly and appropriate action initiated to recover debts. This will include:

(1) 30 Days - First Reminder letter

(2) 60 days - Final Notice requesting payment within 14 days

(3) 90 days - Debtors that fail to respond to Council will be referred to a commercial agent for further action as considered appropriate

7.8.3 Council must ensure that debt is managed in a way which is fair and equitable to the debtor and efficient for both parties. Council acknowledges that a debtor’s financial circumstances can change. As a result, if financial difficulties are experienced or are anticipated, a debtor is encouraged to promptly initiate discussions with Council to seek alternative arrangements.

7.8.4 Should the debtor fail to meet the payment terms without having made contact with Council regarding difficulties, Council will invoke its standard debt recovery procedures to ensure a fair, equitable and consistent approach to all debt follow up. At all times consideration will be given to the amount overdue and the circumstances of the debtor.

7.8.5 Infringement Debts will be referred to the Fines Collection & Recovery Unit of the Attorney General’s Department for recovery.
7.9 **Provision for Doubtful Debts**

7.9.1 A provision for doubtful debts will be established for aged debts greater than 150 days, taking into account:

(1) The size and nature of the debt

(2) The debtor in question

7.9.2 Aged debts less than 150 days may be provided for if the recovery is known to be unlikely.

7.9.3 Outstanding debtor balances shall be reviewed annually towards the end of each financial year to ensure doubtful debts are adequately provided for.

7.10 **Bad Debts/Write Offs**

7.10.1 Debts shall be written off only when all reasonable attempts at recovery have been taken and failed. Recommendation for write off shall be made by the Finance Department following discussion with the section responsible for the raising of the invoice.

7.10.2 Debts that are considered irrecoverable, or where the cost of recovery is uneconomic, shall be written off as a bad debt.

7.10.3 The power to write off such debts is delegated to the Chief Executive Officer or sub-delegated.

7.11 **Credit Cards**

7.11.1 The Chief Executive Officer, Directors and Authorised Officers maintain Council owned credit cards.

7.11.2 The corporate credit card recipient must comply with the conditions of use as set out in the “Credit Card Agreement” and “Acknowledgement by Cardholders” that must be signed before the card is issued. This document details limits on usage and conditions relating to documents required to support credit card transactions.

7.11.3 Expenditure on credit cards will be limited to the maximum credit balances as follows:

(1) Chief Executive Officer $10,000

(2) Mayor $2,000

(3) Director Business & Economic Development $5,000

(4) Director Community & Planning $5,000

(5) Director Corporate Services $5,000

(6) Director Infrastructure, Assets & Environment $5,000
7.11.4 All Credit Card Statements must be approved by the Chief Executive Officer.

7.11.5 The CEO Credit Card Statement must be approved by the Director Corporate Services & Major Projects.

7.11.6 Credit card expenditure must be signed by the card holder and supported by the appropriate documentation and be submitted to the Accounts Payable Officer for reconciliation with the statement of account.

7.11.7 The cardholder will ensure that a satisfactory description of the goods purchased is on the sale docket/tax invoice.

7.11.8 In the event the cardholder is unable to produce a valid tax invoice / receipt, a statutory declaration must be submitted by the cardholder confirming that the nature of the item purchased, the item was work related expenditure and the reason a tax invoice or receipt was not provided.

7.11.9 The credit card cannot be used for:-

(1) Cash withdrawals

(2) Non Work Related Expenditure

(3) Items of equipment that must be recorded on an asset register (unless approved by the CEO)

(4) Internet transactions which are not on a secure web site

(5) Membership for recreational, sporting or social clubs

(6) Dangerous goods and hazardous substances

(7) Foreign currency

(8) Fuel - Statutory Declaration and full explanation of circumstances must be provided in the event of fuel purchase made by credit card.

7.11.10 Personal expenditure charged by a Cardholder to their Council Card will be treated as a serious breach of policy. Disciplinary action may include, but not be limited to: formal warning, administrative action in the form of card cancellation, cost recovery, Police report and / or criminal proceedings.

7.11.11 Card holders must maintain an up to date knowledge of Council’s Credit (Purchase) Card Procedure and Purchasing Procedure.

7.11.12 The cardholder will not permit use of the card by another person except for work related expenses incurred with prior approval.

7.11.13 For Fringe Benefit Tax (FBT) purposes, hospitality or entertainment payments which are charged on the credit card must be accompanied by information such as the reason for function, the number of internal staff, spouse and the total number of people in attendance at the function.
7.11.14 Failure to provide the required information regarding hospitality or entertainment expenditure may result in the costs being treated as non work related expenses and therefore subject to FBT.

7.11.15 Where a credit card is lost or stolen, the cardholder must immediately report to the Bank for cancellation.

7.11.16 Any staff member who does not comply with the conditions of use, will have the cards withdrawn & may be subject to disciplinary action.

7.11.17 The cardholder must return the card should they cease to be an employee of City of Prospect or when so directed by the CEO.

7.11.18 It is the Cardholder’s responsibility to ensure that all transactions listed on the Credit Card Statements are correct. If a cardholder does not agree with or recognise a transaction or charge on their Card, the Cardholder must investigate the transaction with the supplier and where necessary, lodge a ‘Disputed Transaction Form’ with Council’s Bank. This must be done within 3 months of the transaction date of the disputed transaction or will be recharged to the cardholder as a personal expense.

7.11.19 Reconciliation of Credit Card Statements must be completed by the 15th day of each month.

7.12 Purchase Cards

7.12.1 The usage of purchase cards enables Council to procure necessary small value goods in an efficient manner.

7.12.2 A written request detailing the proposed cardholder, reason for the establishment of the card, card limit and manager approval must be submitted to the Manager Financial Services for approval prior to issuance of a card.

7.12.3 The purchase card recipient must comply with the conditions of use as set out in the “Acknowledgement by Purchase Cardholders Form” that must be signed before the card is issued. This document details strict limits on usage, conditions relating to documents required for records maintenance purposes and authorisation requirements.

7.12.4 Purchase cards should replace the usage of petty cash where possible.

7.12.5 Purchase cards cannot be used for non work related purchase under any circumstances.

7.12.6 Types of purchase cards approved for usage include, but are not limited to: - Coles, Officeworks, Bunnings and Prospect Plaza Foodland.

7.12.7 A tax invoice/receipt must be provided for each purchase.
7.12.8 In most instances, purchase cards will only be issued to permanent employees who have completed their probationary period. Exceptions can be authorised by the CEO.

7.12.9 The Manager Financial Services has the discretion to approve the issuance of purchase cards based upon:

(1) Number of purchase cards held within the relevant team at time of application

(2) Estimated frequency of usage

(3) Alternative suppliers who accept purchase orders

(4) A review of the capacity of the proposed cardholder to meet the cardholder responsibilities listed in the ‘Acknowledgement by Purchase Cardholders Form’.

7.12.10 The Manager Financial Services has the discretion to withdraw a purchase card from a Council Officer in the event the ‘Acknowledgement by Purchase Cardholders Form’ is breached in any manner.

7.12.11 Purchase card holders must notify the card provider organisation immediately in the event of a lost or stolen card.

7.12.12 Reconciliation of the cardholders account must be submitted to the Accounts Payable Officer within 7 working days of receipt of the account.

7.12.13 It is the responsibility of the cardholder to return the purchase card to the Manager Financial Services in the event the card is no longer required (eg. termination of employment).

7.13 Accounts for Payment and Disbursements

7.13.1 All accounts for payment shall be certified by an Authorised Officer as to:

(1) The receipt of the goods and services being in accordance with the relevant official purchase order

(2) The prices charged being fair and reasonable

(3) The calculations and additions being correct

(4) The allocation of the payment to the correct ledger account

7.13.2 Authorisation of payments/disbursements is to be in accordance with “Section 8 - Purchasing, Quotations and Tenders” and/or Council’s Delegations Manual.

7.13.3 An Elected Member is entitled, at any reasonable time to inspect the record of accounts paid or payable.
7.13.4 A payment on behalf of Council must be made by Electronic Funds Transfer (EFT), Direct Debit or cheque drawn on Council’s bank. All disbursements shall be authorised by any two (2) of the following:

(1) Chief Executive Officer  
(2) Director Corporate Services  
(3) Manager Financial Services  
(4) Manager Governance  
(5) Senior Financial Services Officers (x2)

7.13.5 Cheques shall be on Council stationery, pre-numbered and issued in numerical sequence.

7.13.6 Unused cheques shall be stored securely by the Accounts Payable Officer who shall maintain an up to date register. This register is required to be sighted and approved by the Manager Financial Services on a monthly basis.

7.13.7 Documentation regarding disbursements shall be retained for the period set down prescribed by the State Records Act, 1997.

7.14 Loans/Borrowings

7.14.1 Council has determined as policy that there will be no new borrowings unless approved for essential asset replacement/renewal and/or extraordinary items.

7.14.2 New loans shall be authorised by resolution of Council.

7.14.3 Loans raised by Council will be separately accounted for and be identifiable in the accounting records.

7.14.4 A register of loans raised by Council will be maintained by the Manager Financial Services.

7.14.5 Borrowings will be through the Local Government Finance Authority by way of debenture loans unless separately determined by Council.

7.14.6 A loan servicing and debt reduction schedule will be submitted during consideration of the annual budget or when considering a loan rollover.

7.14.7 For further details refer to Section 14 - Treasury Management Policy in this Manual.

7.15 Fringe Benefits Tax

7.15.1 Fringe Benefits Tax (FBT) is paid on benefits in place of, or in addition to, salary or wages of employees.
7.15.2 Fringe benefits provided are also required to be reported on employee’s annual PAYG payment summaries. As the FBT year is not aligned with the financial year, the benefits reported on payment summaries relate to the preceding FBT year, which runs from 1st April to 31st March.

7.15.3 Council will comply with FBT legislative requirements.

7.16 Goods and Services Tax

7.16.1 The Goods and Services Tax (GST) is a broad-based consumption tax of 10 per cent on most supplies of goods and services consumed in Australia.

7.16.2 Council’s ABN is 58 758 236 361.

7.16.3 City of Prospect is a registered organisation for the purposes of GST, therefore GST is payable on goods and services Council sells or supplies to others in the course of business. These supplies are called taxable supplies.

7.16.4 There are other types of supplies where GST does not have to be included in the price. These are called input taxed supplies and GST-free supplies.

7.16.5 City of Prospect will keep a register of Fees and Charges and their relevant GST applicability which is reviewed yearly.

7.16.6 Council will only deal with suppliers who have an Australian Business Number (ABN) or suppliers who are prepared to sign a “Statement by Supplier” tax declaration. A register will be kept of all suppliers who have signed this declaration.

7.16.7 For purchases of goods and services exceeding $82.50 and which attract GST, Council must obtain a complying Tax Invoice. For amounts less than $82.50 an account detailing items supplied with total GST is sufficient.

7.16.8 All invoices for Council supplies exceeding $82.50 and which attract GST must be complying Tax Invoices.

7.16.9 Monthly remittances of GST received and paid will be submitted on Council’s Business Activity Statement (BAS). Amounts will be netted off against other tax office liabilities/receivable such as PAYG/Fuel Tax Credits and Fringe Benefits Tax. The BAS is used by Council to report its GST related obligations and will be submitted by the 21st day of each month.

7.17 Auditor Policy

7.17.1 The Audit Committee is responsible for monitoring the performance of Council’s Auditor and making recommendations to Council as required regarding the appointment or termination of the Auditor.

7.18 Annual Budget/Annual Business Plan

7.18.1 Council will adopt an Annual Budget after 31 May and before 31 August for the ensuing financial year. The budget will deal with each activity on a separate basis and must comply with the standards and principles prescribed by regulations under the Local Government Act, 1999.
7.18.2 As part of the budget process Council will prepare an “Annual Business Plan” which will address the activities Council intends to undertake in the ensuing year to achieve its objectives and the key performance indicators that Council will use to assess its performance against its objectives.

7.18.3 The following budget principles will underpin the budget development:

(1) Honest & Accountable - with a framework of reporting that is open and transparent

(2) Strategic Approach - to the delivery of Council services within Council’s strategic priorities

(3) Forward Financial Planning - with long term financial plans of a minimum of ten years to ensure sustainability of operations and careful consideration of the impact on Council’s key strategic financial indicators

(4) Realistic Budgeting - based on best available information at the time of budget preparation

(5) Meet Long Term Liabilities - and ensure appropriate funding for infrastructure provisions

(6) Affordable Rates - balanced against meeting Council objectives and the community’s ability to pay with a focus on reducing the reliance on residential rates where possible

(7) Avoid Cost Shifting - from other levels of government

(8) New Initiatives - fully costed and evaluated in terms of meeting Council’s strategic priorities

(9) Asset Sales and Debt - will ensure the operations do not rely on asset sales to fund core services. Debt will be used as a strategic tool to fund infrastructure needs

(10) Financial Control - to minimise Council’s exposure to risk

7.18.4 The budget performance will be reviewed each year by the Manager Financial Services as per Section 7 of the Local Government (Financial Management) Regulations 1999.

7.18.5 The Manager Financial Services will present to Council, a report that compares budgeted performance to actual performance with explanations for significant budget variances.

7.18.6 Council is solely responsible for approving any change to Council’s budget.

7.18.7 The Council will consider Budget Carry Overs at the Third Quarter Budget Review to ensure their consideration for inclusion in the Original Budget for the following year.
7.18.8 Operating Budget Items will not be considered unless directly funded from a tied Grant.

7.19 Loans to Third Parties

7.19.1 Council is not in the business of providing financial security to third parties through the lending of finances, nor is it a registered financial institution.

7.19.2 Council from time to time may provide financial loans to local based organisations adding to the community of the City of Prospect.

7.19.3 The Local Government Act 1999 Section 139 precludes council from making investments into businesses or operations of a business for profit nature. Consequently Council will only consider applications that support the community at large.

7.19.4 An application for a community loan will only be considered where there are no other funding options and evidence is provided to demonstrate that other options have been sort and exhausted.

7.19.5 Applications will be considered on an individual basis by Council.

7.19.6 The recipient of a loan must be an incorporated non-profit community organisation located or providing direct service within the City of Prospect.

7.19.7 The purpose of the loan must be deemed to be one which provides a direct benefit to the residents of the community, responds to a community need and is consistent with Council’s Strategic Plan.

7.19.8 The project must be a new project. Refinancing of existing commitments will not be considered.

7.19.9 The Council may either go guarantor or provide financial support through the advancing of funds to a community based organisation.

7.19.10 A community loan will only be approved where there is strong evidence that loan repayments can feasibly be met and that Council’s level of risk is ascertained to be minimal. Updated financial records to evidence this may be requested periodically through the life of the agreement.

7.19.11 All approved community loan applicants will be required to enter into a written agreement with Council.

7.19.12 In the event of a loan, Council will seek security from its debtor. The preferred method is via an asset residing on Council owned land.

7.19.13 Interest rates and repayment terms will be set by the Council in a consistent manner on a case by case basis.

7.19.14 The Elected Body of Council may only give authorisation to the advancing of funds but may delegate to the Mayor or Chief Executive the power to sign loan documentation.
8 Purchasing, Quotations and Tenders

(Refer Procurement policy (26/10/2010))

8.1 Background

8.1.1 A council must prepare and adopt policies on contracts and tenders, including policies on the following:

(1) the contracting out of services
(2) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively
(3) the use of local goods and services
(4) the sale or disposal of land or other assets

8.1.2 The policies must—

(1) identify circumstances where Council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets
(2) provide a fair and transparent process for calling tenders and entering into contracts in those circumstances
(3) provide for the recording of reasons for entering into contracts other than those resulting from a tender process

8.1.3 A council may at any time alter a policy under this section, or substitute a new policy or policies (but not so as to affect any process that has already commenced).

8.1.4 A person is entitled to inspect (without charge) a policy of a council under this section at the principal office of Council during ordinary office hours.

8.1.5 A person is entitled, on payment of a fee fixed by Council, to a copy of a policy under this section.

8.1.6 Procurement will be undertaken by Council in a way which:

(1) encourages purchases being made in an open, fair and transparent manner
(2) facilitates achieving value for money in the acquisition through the most appropriate provider
(3) ensures open and effective competition
(4) supports environmentally safe and sustainable procurement
(5) appropriately manages risks
(6) promotes efficient purchasing practices and their continuous improvement
(7) encourages local and Australian businesses
(8) encourages the maintenance of assets at high standards in the most cost effective manner
(9) ensures the integrity of all procurement processes conducted by Council (i.e. in accordance with their legislative and common law responsibilities)

8.1.7 Council will strive to achieve value for money in its procurement activities. Achieving this requires a comparative analysis of all the relevant costs and benefits of each proposal throughout the whole procurement cycle.

8.1.8 Cost is not the only factor in assessing and determining value for money. Other factors for consideration include:

(1) maturity of the market for the property or service sought
(2) performance history of each prospective supplier
(3) relative risk of each proposal
(4) flexibility to adapt to possible change over the lifecycle of the property or service
(5) financial considerations, including all relevant direct and indirect benefits and costs over the whole procurement cycle
(6) anticipated price that could be obtained, or the costs that may be incurred at the point of disposal
(7) evaluation of contract options (for example, contract extension options)

8.1.9 Council staff will select the method of approaching the market which is best suited to the procurement. Determining the best method in the circumstances will be based on consideration of the following issues:

(1) nature of the procurement
(2) value of the procurement
(3) risk associated with the procurement
(4) whether the market for the procurement is known and the capacity of the market to provide the procurement
(5) what is the most efficient process to achieve Council objectives in a timely and cost efficient way
8.1.10 Ethical Behaviour

(1) Council officers involved in procurement should act in an ethical way

(2) Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency

(3) In pursuit of ethical behaviour, officers will:

(a) disclose to the appropriate senior officer any possible conflict of interest in the purchasing activity

(b) deal with all suppliers in an honest, fair and even-handed manner

(c) respect all in-confidence information received and not use it for personal gain, or to prejudice fair and open competition

(d) not accept money, goods, loans, credits, purchasing incentives, services or prejudiced discounts

(e) not use Council’s name or purchasing power to make purchases other than for Council use

8.2 Purchase of Property, Goods and Services

8.2.1 Goods and services will be obtained by use of an electronic purchasing system or credit card.

8.2.2 Official Council Purchase Orders will be:

(1) Approved by an Authorised Officer with authority to incur expenditure on behalf of Council (refer 8.2.6)

(2) Retained electronically on the system

8.2.3 Council staff will maintain a list of preferred suppliers who have demonstrated high quality, dependable, value for money, documented OHS&W policies and sound environmental sustainability practices.

8.2.4 The following persons have delegated authority to sign purchase orders for the purchase of goods and services on behalf of Council:

<table>
<thead>
<tr>
<th>Purchasing Area</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>➢ Chief Executive Officer</td>
</tr>
<tr>
<td></td>
<td>➢ Director Business and Economic Development</td>
</tr>
<tr>
<td></td>
<td>➢ Director Community Wellbeing</td>
</tr>
<tr>
<td></td>
<td>➢ Director Corporate Services</td>
</tr>
<tr>
<td></td>
<td>➢ Director Environment &amp; Planning</td>
</tr>
<tr>
<td></td>
<td>➢ Director Infrastructure &amp; Assets</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>➢ Director Corporate Services</td>
</tr>
<tr>
<td></td>
<td>➢ Customer Service Coordinator</td>
</tr>
<tr>
<td></td>
<td>➢ Financial Services Manager</td>
</tr>
<tr>
<td></td>
<td>➢ Information Technology Manager</td>
</tr>
<tr>
<td>Infrastructure &amp; Assets</td>
<td>➢ Director Infrastructure &amp; Assets</td>
</tr>
<tr>
<td></td>
<td>➢ Team Leaders</td>
</tr>
</tbody>
</table>
### 8.2.5 Before the purchase order is authorised it is to include an estimate of the cost of the goods and services so ordered, and the appropriate general ledger account number for costing purposes.

### 8.2.6 When exercising purchasing delegation the following requirements must be observed:

<table>
<thead>
<tr>
<th>Purchase of Goods and Services (General)</th>
<th>Suggested Approach to Market Or Selection of Appropriate Procurement Process (refer section 8)</th>
<th>Delegated Purchasing Authority</th>
<th>Authority to Purchase when:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Less than $1,000</td>
<td>Designated Staff Member(s)</td>
<td>Leadership Team</td>
<td>- not within budget or</td>
</tr>
<tr>
<td>B. Less than $3,000</td>
<td>Leadership Team</td>
<td>Directors</td>
<td>- not choosing the lowest quote/tender</td>
</tr>
<tr>
<td>C. $3,001 to $10,000 in value</td>
<td>A minimum of two written quotations</td>
<td>Leadership Team</td>
<td>Directors</td>
</tr>
<tr>
<td>(2 verbal/ written quotes)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Preferred Contractor:</td>
<td>A minimum of one written quotations</td>
<td>Leadership Team</td>
<td>Directors</td>
</tr>
<tr>
<td>$3,001 to $10,000 in value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1 verbal/ written quotes)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. $10,001 to $20,000 in value</td>
<td>A minimum of three written quotations</td>
<td>Directors</td>
<td></td>
</tr>
<tr>
<td>(3 verbal/ written quotes)</td>
<td></td>
<td>Depot Team Leaders</td>
<td></td>
</tr>
<tr>
<td>F. From $20,001 to $50,000 in value</td>
<td>A minimum of three written quotations, The Chief Executive Officer shall certify if it is impractical to obtain</td>
<td>Directors</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Purchase of Goods and Services (General)</td>
<td>Suggested Approach to Market Or Selection of Appropriate Procurement Process (refer section 8)</td>
<td>Delegated Purchasing Authority</td>
<td>Authority to Purchase when:</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>(3 written quotes)</td>
<td>three written quotations. Quotations must be authorised by the Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. From $50,001 to $100,000 in value</td>
<td>A minimum of four written tenders/quotations. The Chief Executive Officer shall certify if it is impractical to obtain four written tenders/quotations, after seeking the advice of the Director. Tenders/quotations must be signed by the Chief Executive Officer and Director and be kept on file.</td>
<td>Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td>H. Over $100,001 in value</td>
<td>Open Public tender/selective Tenders will be called</td>
<td>Chief Executive Officer</td>
<td>Council</td>
</tr>
</tbody>
</table>

8.2.7 The purchase of goods and services by City of Prospect shall be made in accordance with the following criteria:

(1) Preference in purchasing shall be given to:

   (a) Those products which minimise waste/and or contain recycled raw materials which are appropriate to the end use and present no inherent risk to safety

   (b) Suppliers which are local to Prospect where the goods offered are equal to competitive bids

   (c) Equipment, materials, supplies and services offered by companies which maintain a manufacturing base in Australia

8.2.8 Council will consider paying a “premium” of up to 5% for those goods and services supplied by:

(1) Ratepayers of City of Prospect, provided the goods or services offered are equal or better in quality

(2) Australian companies or individuals, where the goods or services offered are equal or better in quality

8.2.9 The competitiveness of any quotation/tender shall be evaluated on the following basis:
(1) All facets of the supplier’s offer including price, quality, useability, environment procurement and sustainability, delivery and the willingness of the supplier to accept Council’s terms and conditions of purchase

(2) Standardisation and compatibility with other Council equipment

(3) The expected life, anticipated running and maintenance costs, the willingness of the supplier to guarantee ready availability of parts and servicing and the likely disposal value of equipment offered

8.2.10 Purchasing practice will be designed to minimise inventory stock. The holding of items in store will be based on cost effectiveness of need to hold essential or scarce items. Stores inventories will work on the “just in time” principle.

8.2.11 In addition to the above policies the following principles will be applied:

(1) Quotations/tenders should encourage open, transparent and effective competition for Council’s business

(2) Council must be, and must be seen to be, a fair and even-handed purchaser by all existing and potential suppliers, ratepayers and the public

(3) The confidentiality of supplier information is to be protected where possible

(4) Council staff should endeavour to combine major purchase requirements with other Councils where it is advantageous to do so

(5) Administrative procedures to support Council’s Purchasing Policy should be designed to contribute to cost effectiveness and operational efficiency

(6) Where the purchase of goods, materials or plant and equipment involves implications for the safety, health and welfare (OHS&W) of Council’s employees, the employees involved will be consulted prior to the purchase. The OHS&W Risk Management Officer should be consulted (where applicable) prior to purchase

8.3 Quotations and Tenders

8.3.1 Tendering Period: Invitations to tender must specify a tender period including a closing date and time. The tender period must be suitable to allow time for tenderers to visit the site (if necessary), to study the tender specifications and prepare an offer.

8.3.2 Names and addresses of those organisations to which tender information is given, must be kept.

8.3.3 Extension of Tendering Period:
The tender period may be extended where the Director can show sound cause. Tenderers are to be notified of any change in closing date and time.

8.3.4 Clarification of Documents During the Tender Process:

Requests for clarification shall be referred to the officer nominated on the tender specifications. Where considered necessary, all explanations and/or clarifications given should be confirmed in writing and issued to all prospective tenderers to ensure that all tenders are on a common basis.

8.3.5 Amendments to the Tender specifications:

(1) Amendments to the tender specifications should only be made when considered essential to the tender process. Where matters of significance make it necessary to amend tender specifications during the tender period, the amendments, in the form of addenda, must be issued by the nominated officer. Addenda should be limited to essential matters where work involved cannot be covered by a variation to the contract.

(2) Where the issuing of addenda is essential, all prospective tenderers must be issued with a copy in sufficient time, not less than seven working days before the closing date for tenders, to allow for the amendments in their tender price.

(3) Tenderers must acknowledge receipt of the addenda in writing with their tender and confirm that allowance has been made in their tender for each addendum.

8.3.6 Lodgement of Tenders:

(1) Tenders must be forwarded to the Civic Centre at 128 Prospect Road, Prospect SA 5082 or PO Box 171, Prospect, SA 5082 (which is located at 144 Prospect Road) unless specified otherwise by the tender documentation.

(2) Tenders received before the closing date must be placed in a locked tender box under the control of the Customer Service Coordinator or other person/premises as may be delegated by the responsible Director.

(3) Where it is not possible to place all tenders and supporting papers in the tender box, tender papers not placed in the tender box shall be endorsed by the responsible Director with details of receipt and placed in the safe under the control of the Customer Service Coordinator or other person/premises as may be delegated by the responsible Director.

(4) Council's facsimile facilities should be checked at the time at which tenders close. Facsimiles should be stamped with the time of receipt.

(5) Tenders received through the post must be endorsed with the exact time of receipt. When envelopes containing tenders have been opened due to lack of identification, they should be immediately...
resealed and the envelope suitably endorsed and referred to the responsible Director

(6) A tender price offered verbally will not be accepted

8.3.7 Tender Opening

(1) At close of tender, the tender box should be opened and emptied to prevent lodgement of late tenders in the box

(2) The tender box shall be opened by the responsible Director or such other person as delegated by the responsible Director together with one of the following:

(a) Chief Executive Officer
(b) Director Infrastructure & Assets
(c) Director Environment & Planning
(d) Director Corporate Services
(e) Director Community Wellbeing
(f) Director Business and Economic Development
(g) Contracts Co-ordinator (or equivalent)

(3) The date and time of opening the tender document will be marked on the tender and both persons present will sign the document. All tender forms, accompanying letters and schedule of prices must be numbered and initialled by both persons present. Other papers submitted such as schedules, technical data and brochures must be endorsed with the tender number

(4) At close of tenders, after processing, a list of tenders admitted must be prepared. This list must be made available for public access on Council’s website within 48 hours.

(5) For tenders opened at locations other than the Civic Centre (refer 8.3.6), at least two persons shall be present when tenders are opened. One of the persons present should be a Council Officer listed in 8.3.6(2) unless otherwise delegated. Where a Council Officer is not present at the time tenders are opened, a Council Officer must sight the original tender responses and the details of the two persons present at opening

8.3.8 Late Tenders
A tender received after the nominated closing time will be deemed late and shall be endorsed with the exact time of receipt. A person presenting a tender "over the Counter" will be asked to initial the endorsement and advised that their late tender will not be admitted.

The tender box must be checked the day after closing for any late submission(s).

(1) A late tender is to be opened and endorsed with the time and the circumstances of receipt. The envelope enclosing a late tender is to be attached to the tender

(2) A late tender submitted through official Australia Post Services of prepaid cost, facsimile or email will not be admitted unless it can be clearly established to the satisfaction of the responsible Director that it was posted or transmitted before the date and time of close of tender and in the ordinary course of post or transmission would have been received in time. No other form of transmission will be considered for tenders received after the date and time of close of tender

(3) Franking machine impressions are not acceptable evidence of timely posting or dispatch, nor are the times indicated on facsimiles or email transmitted through private channels

(4) A tenderer whose tender is rejected as being late must be advised promptly

(5) Adequate safeguards should be used to ensure preservation of the confidentiality of tenders which are received late and are not admitted for consideration

8.3.9 Evaluation of Tenders

(1) Evaluation should consider the tenders:

(a) Price – value for money

(b) Technical, management, physical and financial capacity

(c) Current commitments

(d) Standing within the industry

(e) Record of performance

(f) Ability to fulfil the requirements

(g) Occupational health, safety and welfare systems management

(h) Risk management

(i) Environment Procurement and Sustainability
(j) Customer service delivery

(k) Quality assurance arrangements

(l) Plus other criteria as may be determined

(2) A tender who does not comply with the tender specifications is liable to be rejected. The tenderer may be given reasonable opportunity to comply with the tender specifications but may not alter the submitted tender price. Where a tenderer claims an error has been made in calculating the tender or has omitted to include a provisional sum, the tenderer shall not be permitted to amend the tender price. In such situations, the tenderer has the options of adhering to or withdrawing the tender price or being passed over

(3) Alternative offers are not to be considered unless provision is made for such offers within the tender specifications. Where an alternative is offered by a tenderer, such alternative is relevant to that tenderer only and cannot be priced by any other tenderer

(4) There are occasions where negotiation of a tendered price may have to be considered before a tender is accepted. For example, where significant errors and/or omissions in Council tender specifications that have affected the prices tendered or where the tender prices received are above the prices anticipated and the Principal has insufficient funds to cover them

(5) In such instances, negotiations of a price for the amendments to the tender specifications will be concluded prior to acceptance with the lowest acceptable tenderer only, notwithstanding that the estimate or the price received for the amendment when added to the lowest acceptable tender may exceed other tenders

(6) If the value of the amendment in relation to the tender price is significant and a satisfactory price cannot be negotiated with the lowest acceptable tenderer, it may be deemed necessary to recall tenders

(7) Where it is intended that the lowest tender will not necessarily be accepted then such information should be provided to all prospective tenderers. Any tender may be rejected provided Council acts honestly and with probity in so doing

(8) The tender most advantageous to Council should be the one considered for acceptance. Where it is proposed to pass over a formal tender, it is preferable to inform the tenderer of the reasons before the preferred tender is accepted

(9) Where the value of the tender exceeds the delegated purchasing authorities provided in 8.2.6, a report on the tenders received shall be submitted to Council through the appropriate Committee.

(10) Council may choose to not accept any tender and this is to be stated in tender documents
8.3.10 Re-tendering

(1) Re-tendering will be avoided unless the tender specifications have been amended or a substantial period of time has elapsed since tenders were initially invited.

(2) Should it be decided to recall tenders on a selected basis, opportunity should be given to each original tenderer to submit a price unless there are sound reasons for not doing so.

(3) Where a tender has been let and additional works of a similar nature are required in the same financial year, the Department Manager may utilise the same contractor, without the need to recall tenders, provided the unit rate has a variance of no greater than +5% and the project remains within the budgeted allocation.

8.3.11 The Chief Executive Officer (or delegate) must maintain an up to date tender register at all times.

8.4 Confidentiality

8.4.1 Adequate safeguards must apply to secure the confidentiality of tenderers. All information provided between the tenderers and the Principal shall be treated as confidential and both the tenderer and the Principal shall maintain such information as confidential and commercial in-confidence.

8.5 Contracting Out

8.5.1 Council will provide services to the community in the most effective manner possible using a balanced mix of contractors and Council employed labour, whichever is appropriate. Council will take into account the need for specialist short term skills and equipment needs and balanced against the need to maintain a strong Council employed skills base. This will enable the provision of a range of services and the provision of good community governance, and in accordance with industrial relations requirements.

8.5.2 Council will periodically review its Purchasing, Quotations and Tenders Policy to ensure that the services provided are delivered in the most efficient, effective and economical manner measured against comparable services being delivered by comparable organisations.
9 Salaries and Wages

9.1 Payroll

9.1.1 Records will be maintained in respect all employees of Council showing:

(1) Hours worked and rate of pay
(2) Gross salary or wages
(3) Tax and details of all other payments and deductions
(4) Sick, annual, long service and other leave available and taken
(5) Allocation of time worked on jobs
(6) Superannuation deductions
(7) Salary Sacrifice/Packaging

9.1.2 Salaries and wages will be paid on the basis of hours of attendance recorded on an approved time sheet, except for employees on “no fixed hours” contracts.

9.1.3 Time sheets will be submitted fortnightly by the employee to the Payroll Officer and a copy to their immediate supervisor for authorisation (unless agreed otherwise).

9.1.4 All claims for overtime must be authorised by the relevant manager on an Overtime/Call Out Application Form for ASU staff or either a Callout or Overtime Timesheet for AWU staff, prior to payment being processed.

9.1.5 Hours of work, flexi time etc. will be paid in accordance with City of Prospect’s Enterprise Agreements.

9.1.6 All annual leave and long service leave must be applied for in writing by employees and authorised by their supervisor prior to commencement of leave.

9.1.7 All sick leave must be authorised by the relevant supervisor as soon as practical after the period of absence, and will be paid in accordance with City of Prospect’s Enterprise Agreements and the relevant award.

9.1.8 Additional hours resulting in the accrual of flexi time or payment of overtime must be approved by the relevant Manager/Director prior to undertaking the additional hours.

9.1.9 A responsible officer shall certify the pay sheets for payments of salaries and wages for each period in the following manner:

(1) I certify that:
(a) The persons named on these pay sheets were actually and bona fide employed for the period shown.

(b) The rates of pay are correct.

(c) The additions and calculations have been checked.

9.1.10 Unclaimed or unpaid salaries or wages will be held in Council’s general operating bank account.

9.1.11 Council may make payments of cash advances against salaries or wages earned but unpaid. No advance shall exceed the amount of salary or wage earned in the next pay period and the advance shall be reimbursed on the next date on which salaries and wages are paid. Any such payment is to be approved by the Chief Executive Officer in writing to the Payroll Officer.

9.1.12 The employment procedures outlined in City of Prospect’s Human Resources Policies and Procedures must be followed before new employees are entered into Council’s payroll.

9.1.13 Payroll deductions on behalf of employees will be limited to:

(1) Taxation liabilities
(2) Superannuation liabilities
(3) AWU fees
(4) Mutual Community/AXA Health
(5) Child Support Agency
(6) Registered Banking Institutions
(7) Social Events, Clubs (eg. Christmas Dinner, X-Lotto Club)
(8) Corporate Wardrobe Deduction
(9) Council Rates Deductions (where employees are ratepayers in Council area)
10 Accounting for Council Assets - Property, Plant, Equipment & Infrastructure

10.1 Definition of an Asset

“An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.”

Where the future economic benefits are expected to occur over a period spanning more than one financial year, the asset is recognised as a “non-current” asset in Council’s balance sheet.

There are three specific elements that define an asset:

10.1.1 Future economic benefits – in the case of public sector entities, future economic benefits (or service potential) are the goods and services to be provided by the asset, whether or not the entity receives a net cash inflow for their provision.

10.1.2 Control by the entity - control means the ability of the entity to benefit from the future economic benefits and/or to restrict the access of others to those benefits.

10.1.3 Occurrence of past event – the asset must be in existence. A contract to purchase an asset does not give rise to an asset, nor does the intent to acquire an asset. The asset must have been purchased, acquired or transferred to the control of the entity prior to the date of the financial report.

10.2 Initial Recognition

10.2.1 Assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects’ fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

10.2.2 Capital works still in progress at balance date are recognised as other non-current assets (under Works In Progress) and transferred to the infrastructure, property, plant & equipment register when completed ready for use.

10.2.3 As at 1 July 2008, Council elected not to recognise any values for land under roads acquired before the commencement of AASB 1051 Land Under Roads.
10.3 **Subsequent Recognition and Revaluation**

10.3.1 Certain asset classes are re-valued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

10.3.2 In line with AASB13, where an active market for sale does exist, the highest and best use valuation will be used. Individual asset assessment of an active market will be undertaken at each revaluation point.

10.3.3 Non-current assets, other than receivables and investments, are re-valued at least once in every five years in accordance with the Local Government (Financial Management) Regulations 1999. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be re-valued regardless of when the last valuation took place. Non-Current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are re-valued to depreciated replacement cost. Desktop revaluation, using revised unit rates, are conducted annually for Infrastructure assets.

10.3.4 Revaluation increments are allocated in the following order:

1. to recoup impairment expense in relation to the asset previously charged to profit and loss
2. to recoup a revaluation decrement in relation to the asset previously recognised in profit and loss
3. transferred as other comprehensive income to asset revaluation reserve

10.3.5 Revaluation decrements are allocated in the following order:

1. Transferred as other comprehensive income from asset revaluation reserve to the extent that the decrement reverses a revaluation increment previously recognised.
2. Recognised in profit and loss as an expense.

10.3.6 Revaluation increments of decrements are required to be offset within the same class of assets.

10.4 **Materiality & Capitalisation Threshold**

10.4.1 Expenditure, or other transactions, which result in the creation of future economic benefits which are controlled by Council are to be capitalised when:
(1) Cost of acquisition exceeds the materiality threshold of $1,000 as established by Council. No capitalisation threshold is applied to the acquisition of land or interests in land, and;

(2) The asset possesses a cost that can be measured reliably, and its value, at the time of Council gaining control over the asset, is in excess of $1,000

10.4.2 Acquisition costs of assets which total less than $1,000 will be treated as operating expenses.

10.4.3 Assets should have a useful life of greater than one year in order for the expenditure to be capitalised.

10.5 Depreciation and Useful Life

10.5.1 Depreciation is defined in AASB 116.6 as the systematic allocation of the depreciable amount of an asset over its useful life.

10.5.2 Council uses straight line depreciation for all its non-current assets on the basis that the economic benefits, being the service provided by the asset, are generally used in a uniform manner throughout the assets useful life.

10.5.3 The straight line depreciation method differs from the concept of condition based depreciation which, in the above example, does not reflect the pattern of consumption of the future economic benefits but rather measures the degradation curve of the underlying asset providing those economic benefits. The use of condition based depreciation may only be considered if the method complies with the provisions of UIG Interpretation 1030 – Depreciation of Long-Lived Physical Assets: Condition Based Depreciation and Related Methods.

10.5.4 In accordance with AASB 116 – Property, Plant & Equipment, depreciation of an asset will begin from the time the asset is available and ready for use. This includes the assets being in its intended location and in a condition to enable the assets to be used in the manner they were intended. In the case of contributed assets, depreciation will begin from the time of handover to Council of those assets.

10.5.5 Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over the useful life in a manner which reflects the consumption of the service potential embodied in the asset.

10.5.6 Depreciation is recognised on a straight-line basis over the useful life of the asset. Useful life is the period over which an asset is expected to be available for use by the entity. Useful Life periods for each class of asset are shown on page 34.

<table>
<thead>
<tr>
<th>Asset Classification</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20 to 80 years</td>
</tr>
<tr>
<td>Sheds and Shelters</td>
<td>25 to 35 years</td>
</tr>
<tr>
<td>Toilet Blocks/Storerooms/Clubrooms</td>
<td>40 to 50 years</td>
</tr>
<tr>
<td>Asset Classification</td>
<td>Useful Life</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
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</tr>
<tr>
<td>Civic Centre and Grandstand</td>
<td>80 years</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Roads – Surface</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Kerb &amp; Gutter</td>
<td>70 years</td>
</tr>
<tr>
<td>Roads – Base (Pavement)</td>
<td>65-100 years</td>
</tr>
<tr>
<td>Footpaths</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Bitumen</td>
<td>15 – 30 years</td>
</tr>
<tr>
<td>Paved</td>
<td>50 years</td>
</tr>
<tr>
<td>Storm-water Drainage</td>
<td>100 years</td>
</tr>
<tr>
<td>Pipes</td>
<td>100 years</td>
</tr>
<tr>
<td>Side Entry Pit Box Drains &amp; Junction Boxes</td>
<td>80 years</td>
</tr>
<tr>
<td>Open Channel</td>
<td>70 years</td>
</tr>
<tr>
<td><strong>Library Books</strong></td>
<td>5 years</td>
</tr>
<tr>
<td><strong>Plant &amp; Equipment</strong></td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and Fittings</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Art Works</td>
<td>100 years</td>
</tr>
<tr>
<td>Other Non Current Assets</td>
<td>10 – 20 years</td>
</tr>
<tr>
<td>Outdoor settings/furniture</td>
<td>10 – 15 years</td>
</tr>
<tr>
<td>Irrigation</td>
<td>20 years</td>
</tr>
</tbody>
</table>

10.5.7 The useful life of each infrastructure asset has been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates. Depreciation of infrastructure assets commences the year following initial capitalisation.

10.6 **Residual Value**

10.6.1 If available, Council will establish an appropriate residual value for an asset. AASB11116.6 defines residual value as being the estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.6.2 Residual values will be reviewed annually and adjusted if appropriate given the most up to date information.
10.6 Impairment

10.6.3 AASB136.9 requires that all infrastructure and property, plant & equipment are review annually for impairment.

10.6.4 Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows expected to be derived from an asset or value in use).

10.6.5 For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

10.7 Disposal

10.7.1 All non-current assets will be de-recognised on disposal or when no future economic benefits are expected from their use or disposal.

10.7.2 When an asset is sold and its selling price varies from the carrying amount in Council's balance sheet, a gain or loss on disposal will be recognised directly to the Income Statement in accordance with AASB 116 – Property, Plant & Equipment.

10.7.3 If an asset is disposed before it has been fully depreciated, the carrying amount represents a loss on disposal and will be expensed.

10.7.4 Where an asset disposed of has been subject to revaluation, the net increment in the asset revaluation reserve relating to the disposed asset will be transferred to Accumulated Surplus. The amount transferred must not exceed the balance of the asset revaluation.

10.7.5 Partial renewal/replacement of an asset is recognised by adding the renewal/replacement cost to the existing asset value. The useful life of the asset will be adjusted, if necessary, at the time of reviewing the useful lives.

Determination of classification of expenditure – Maintenance or Capital

10.7.6 Maintenance costs are deemed to include day to day expenditure incurred in relation to the use of an asset. Maintenance costs are operating expenses which act to retain or restore the utility of an asset.

10.7.7 Capital expenditure may involve the renewal, replacement or enhancement/upgrading of an existing asset, or the acquisition or construction of a new asset. AASB116 provides guidance on recognition of assets.
10.7.8 The following table provides guidance when determining whether expenditure is either capital or material in nature.

<table>
<thead>
<tr>
<th></th>
<th>Maintenance</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet &amp; Plant Assets</td>
<td>• Expenditure &lt;$1,000 for individual assets or assets that cannot be easily</td>
<td>• Expenditure &gt;=$1,000 for individual assets, or assets that can be easily grouped.</td>
</tr>
<tr>
<td></td>
<td>grouped.</td>
<td></td>
</tr>
<tr>
<td>Sealed Roads</td>
<td>• Patching that is intended to keep the asset in service but does not expend</td>
<td>• Any treatment to a road that extends the life of the asset.</td>
</tr>
<tr>
<td></td>
<td>the life of the asset.</td>
<td>• All new road construction.</td>
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<td></td>
<td>• Line marking.</td>
<td></td>
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<tr>
<td></td>
<td>• Road cleaning &amp; sweeping.</td>
<td></td>
</tr>
<tr>
<td>IT &amp; Office Equipment</td>
<td>• Expenditure &lt;$1,000 for individual hardware/furniture assets or assets</td>
<td>• Expenditure &gt;=$1,000 for individual hardware/furniture assets, or assets that can be easily grouped.</td>
</tr>
<tr>
<td></td>
<td>that cannot be easily grouped.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Annual software licence and maintenance fees and all minor upgrades to core</td>
<td></td>
</tr>
<tr>
<td></td>
<td>operating systems.</td>
<td></td>
</tr>
<tr>
<td>Drainage &amp; Pits</td>
<td>• All repairs that are intended to keep the asset in service but does not</td>
<td>• Repairs that extend the life of the asset of the drainage segment being repaired.</td>
</tr>
<tr>
<td></td>
<td>extend the life of the asset.</td>
<td>• All new drainage construction.</td>
</tr>
<tr>
<td></td>
<td>• General kerb maintenance.</td>
<td></td>
</tr>
<tr>
<td>Kerb &amp; Gutters</td>
<td>• All repairs that are intended to keep the asset in service but does not</td>
<td>• Repairs that extend the life of the asset.</td>
</tr>
<tr>
<td></td>
<td>extend the life of the asset.</td>
<td>• All new kerb construction.</td>
</tr>
<tr>
<td></td>
<td>• General kerb maintenance.</td>
<td></td>
</tr>
<tr>
<td>Signs</td>
<td>• Repairs to existing signs &amp; posts.</td>
<td>• All new signs and/or posts.</td>
</tr>
<tr>
<td></td>
<td>• Complete replacement of existing signs &amp; posts.</td>
<td>• Complete replacement of existing signs &amp; posts.</td>
</tr>
<tr>
<td>Traffic Calming Devices</td>
<td>• All line marking.</td>
<td>• Any new or complete replacement of kerb and fence.</td>
</tr>
<tr>
<td></td>
<td>• Any maintenance to existing devices.</td>
<td>• New traffic islands.</td>
</tr>
<tr>
<td>Footpaths</td>
<td>• All repairs that are intended to keep the asset in service but does not</td>
<td>• Repairs that extend the life of the asset.</td>
</tr>
<tr>
<td></td>
<td>extend the life of the asset.</td>
<td>• All new footpath construction.</td>
</tr>
<tr>
<td>Research &amp; Design Costs</td>
<td>• All costs associated with the appraisal and investigation preceding a</td>
<td>• All design costs incurred after a formal decision from Council to proceed with the project. Subject to the tests of AASB 136 Impairment of assets.</td>
</tr>
<tr>
<td></td>
<td>formal Council decision to proceed with the project.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• All feasibility studies.</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>Capital</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>---------</td>
<td></td>
</tr>
</tbody>
</table>
| **Irrigation** | • Maintenance to existing irrigation equipment.  
• Repairs/replacement that are intended to keep the asset in service but does not extend the life of the asset.  
• All new irrigation equipment.  
• Repairs/replacement of irrigation equipment that extend the life of the asset. |
| **Land** | • Landscaping to improve land that is intended to keep the asset in service but does not extend the life of the asset.  
• Landscaping to otherwise arable land that is intended to keep the asset in service but does not extend the life of the asset.  
• All maintenance of landscaping structures.  
• Renewal of mulch and garden beds.  
• Land under roads per AASB1051.  
• Landscaping to improve land that extends the life of the asset.  
• Landscaping to otherwise arable land that extends the life of the asset.  
• Significant trees >=$1,000 in value at time of planting. |
| **Park Furniture** | • All maintenance to existing park furniture.  
• All new park furniture.  
• Replacement/renewal of existing park furniture that extends the life of the asset. |
| **Playground Equipment** | • All maintenance to existing playground equipment.  
• Repairs/replacement of playground equipment that are intended to keep the asset in service but does not extend the life of the asset.  
• All new playground equipment.  
• Repairs/replacement of playground equipment that extends the life of the asset. |
| **Library Collection & Public Artworks** | • Magazines, newspapers and periodicals.  
• Library books, videos, CD’s and other permanent additions to the library collection.  
• Public Artwork of individual value over $1,000. |
| **Buildings** | • All maintenance of any component of the building.  
• Any structural addition to the building that extends the life of the asset.  
• Repairs/renewal that extends the life of the asset. |
| **Master Plan/Concept plan** | • High level concept.  
• Not asset specific, i.e. not related to construction specifications.  
• Asset specific, i.e. relates to construction specifications. |
<table>
<thead>
<tr>
<th>Maintenance</th>
<th>Capital</th>
</tr>
</thead>
</table>
| **Design and Documentation** | • High level concept.  
• Not asset specific, i.e. not relating to construction specifications.  
• Asset specific, i.e. relates to construction specifications. |
| **Development plan**         | • All costs to be classified as operating expenses.                      |
| **Feasibility Studies**      | • High level concept  
• Not asset specific, i.e. not relating to construction specifications.  
• Asset specific, i.e. relates to construction specifications. |
10.8 Classifying Operating/Capital Expenditure

Is expenditure related to the day to day operations of Council? (e.g. phone, subscriptions, stationery, advertising)

Yes → OPERATING EXPENDITURE

No

Is expenditure related to maintaining an asset without increasing its service potential / level of supply or life expectancy? (e.g. repairs - potholes, fencing, minor pipework, general damage, wear & tear)

Yes → OPERATING EXPENDITURE

No

Is expenditure related to an asset which increases its service potential / level or life beyond original expectations? (e.g. Resheeting / Resealing a road, replacing section of drainage network)

Yes → OPERATING EXPENDITURE

No

Is expenditure related to extending / expanding an asset at the same standard currently experienced by users to a new group of users to meet an increase in demand? (e.g. road / drainage network)

Yes → OPERATING EXPENDITURE

No

Is expenditure related to upgrading the standard / quality of an existing asset to provide a higher level of service to users? (e.g. replacing drainage capacity, increasing road widths, building addition)

Yes → OPERATING EXPENDITURE

No

Will expenditure significantly reduce the cost of maintaining an existing asset?

Yes → OPERATING EXPENDITURE

No

Will expenditure result in a probable future benefits to Council? (e.g. Research study)

Yes → OPERATING EXPENDITURE

No

Is there a cost estimation or other valuation methodology that can be used to measure cost reliably and accurately for asset recognition purposes in Council's financial statements?

Yes → OPERATING EXPENDITURE

No

Does the estimation / valuation of the item exceed the capital recognition threshold with regard to the asset class to which it relates? Refer attached threshold schedule for determination

Yes → Capital Expenditure

No

Operating Expenditure

Capital Expenditure
10.9 **Classifying New/Upgraded Assets vs Renewal/Replacement**

10.9.1 Capital expenditure for the renewal and replacement of assets must be separately distinguished from capital expenditures for new and upgraded assets.

10.9.2 New assets are additional to Council's previous asset register.

10.9.3 Upgraded assets replace previously existing assets with enhanced capability or functionality, where an option existed for replacement without the enhanced capability or functionality.

10.9.4 Renewal or replacement of an asset occurs where a previously existing asset is replaced. The asset does not give rise to an enhancement of the service capability except where this is incidental and unavoidable.

10.10 **Collective Assets**

10.10.1 Certain assets are made up of collections of many individual items, each of which is individually below any reasonable capitalisation threshold. Examples include, road signs, library books and garbage bins.

10.10.2 If the total number of items in the collection is static, the initial collection is capitalised. When individual components are replaced, the costs of the replacement are written off as an expense. Examples of such Council collections are road signs.

10.10.3 If the total number of items in the collection changes over time, additional items purchased during the year are capitalised and all items in the collection are depreciated based on the average anticipated useful life. Examples of such Council collections are library books and waste bins.

10.11 **Asset Register**

10.11.1 An accurate record will be maintained of all assets including assets acquired for no monetary consideration.

10.11.2 A detailed register of all assets will be maintained by a responsible officer who will annually check fixed assets on hand compared with the fixed asset register. The register shall record individual assets in sufficient detail as to permit their identification and control. The asset register shall be used for the purpose of revaluing and depreciating assets.

10.11.3 A register of items which are valuable and portable will be maintained for the purpose of controlling and safeguarding items which by their nature are at risk of loss. A stock take of such items shall be conducted at least annually. Valuable portable items which are more likely to be subject to loss due to theft or misplacement shall include items such as cameras, portable TV's, videos and communication equipment.
10.12 Hiring of Properties and Equipment

10.12.1 A record of hall and property hire under the care, control and management of Council will be maintained giving particulars of each hiring and the amount paid as a refundable security deposit and hire fee.

10.12.2 A record of hire of equipment will be maintained.

10.12.3 A monthly reconciliation of deposits held by Council shall be carried out by the Customer Services Co-ordinator.

10.13 Sale and Disposal of Land and other Assets

10.13.1 Sale of Land

(1) The sale or disposal of Council land will be the subject of a separate resolution of Council in every instance.

(2) The process for the sale and disposal of land and other assets will be fair and transparent to ensure Council obtains the best outcome and price.

(3) Unless Council resolves otherwise, the procedure to be used for selling and disposal of Council owned land will be:

(a) Public consultation in accordance with Council’s Public Consultation Policy where the land involved is classified as community land.

(b) Quotations for the sale of the land from not less than three (3) Prospect based land agents. However, quotations from specialist agents should be sought if commercial land is involved.

(c) Sale by public auction. (In the event that the public auction fails, the Chief Executive Officer has delegated authority to dispose of the land at the best available price, provided an independent valuation is sought).

(d) Wherever possible, Council will employ for brokerage purposes the services of a land broker operating a brokerage business within the Prospect area.

10.13.2 Sale of Other Assets

(1) The method of sale will be decided by the Chief Executive Officer or their delegate.

10.13.3 Principles to consider when disposing of Land and/or Assets

(1) Council must have regard to the following principles in its disposal of Land and Assets:

(a) Encouragement of open and effective competition
(b) Obtaining Value for Money

(c) This is not restricted to price alone.

(d) An assessment of value for money must include consideration of (where applicable):

1) the contribution to Council’s long term financial plan and strategic management plans;
2) any relevant direct and indirect benefits to Council, both tangible and intangible;
3) efficiency and effectiveness;
4) the costs of various disposal methods;
5) internal administration costs;
6) risk exposure; and
7) the value of any associated environmental benefits.

(e) Ethical Behaviour and Fair Dealing

1) Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

(f) Probity, Accountability, Transparency and Reporting

(g) Ensuring compliance with all relevant legislation including the following:

1) Local Government Act 1999 (SA)
2) Real Property Act 1886 (SA)
3) Land and Business (Sale and Conveyancing) Act 1994 (SA)
4) Development Act 1993 (SA)
5) Retail and Commercial Leases Act 1995 (SA)
6) Residential Tenancies Act 1995 (SA)
7) Strata Titles Act 1988 (SA)
8) Crown Land Management Act 2009 (SA)
9) Community Titles Act 1996 (SA)
10) Roads (Opening and Closing) Act 1991 (SA)

(h) Considerations prior to Disposal of Land and Assets will be made after considering (where applicable):

1) the usefulness of the Land or Asset;
2) the current market value of the Land or Asset;
3) the annual cost of maintenance;
4) any alternative future use of the Land or Asset;
5) any duplication of the Land or Asset or the service provided by the Land or Asset;
6) any impact the disposal of the Land or Asset may have on the community;
7) any cultural or historical significance of the Land or Asset;
8) the positive and negative impacts the disposal of the Land or Asset may have on the operations of the Council;
9) the long term plans and strategic direction of the Council;
10) the remaining useful life, particularly of an Asset;
11) a benefit and risk analysis of the proposed disposal;
12) the results of any community consultation process;
13) any restrictions on the proposed disposal;
14) the content of any community land management plan; and
15) any other relevant policies of the Council, including:
   a. its Service Range Policy and associated Service Level Policies; and
   b. its Internal Financial Controls Policy and Prudential Management Policy.

(i) Disposal methods

1) Land disposal
   a. The Council may resolve to dispose of Land.
   b. Where the Land forms or formed a road or part of a road, the Council must ensure that the Land is closed under the Roads Opening and Closing Act 1991 (SA) prior to its disposal.
   c. Where Land is classified as community land, the Council must:
i. undertake public consultation in accordance with the Act and the Council’s public consultation policy; and

ii. ensure that the process for the revocation of the classification of Land as community land has been concluded prior to its disposal; and

iii. comply with all other requirements under the Act in respect of the disposal of community land.

d. Where the Council proposes to dispose of Land through the grant of a leasehold interest, the Council must have complied with its obligations under the Act, including its public consultation obligations under Section 202 of the Act.

e. The Council will, where appropriate, dispose of Land through one of the following methods:

   i. open market sale - advertisement for disposal of the Land through the local paper and where appropriate, a paper circulating in the State, or by procuring the services of a licensed real estate agent and/or auctioneer (following compliance with the Council’s Procurement Policy);

   ii. expressions of interest - seeking expressions of interest for the Land;

   iii. select tender - seeking tenders from a selected group of persons or companies;

   iv. open tender - openly seeking bids through tenders, including public auction;

   v. by negotiation – with owners of land adjoining the Land or others with a pre-existing interest in the Land, or where the Land is to be used by a purchaser whose purpose for the Land is consistent with the Council’s strategic objectives for the Land.

f. Selection of a suitable disposal method will include consideration of (where appropriate):

   i. the number of known potential purchasers of the Land;

   ii. the original intention for the use of the Land;

   iii. the current and possible preferred future use of the Land;

   iv. the opportunity to promote local economic growth and development;

   v. delegation limits, taking into consideration accountability, responsibility, operation efficiency and urgency of the disposal;

   vi. the total estimated value of the disposal; and

   vii. compliance with statutory and other obligations.

g. The Council will not dispose of Land to any Council Member or employee of the Council who has been involved in any process related to a decision to
dispose of the Land and/or the establishment of a reserve price.

h. If Land is to be auctioned or placed on the open market or disposed of by an expression of interest, then (unless the Council resolves otherwise) one independent valuation must be obtained to establish the reserve price for the Land. The independent valuation must be made no more than 6 months prior to the proposed disposal.

i. If Land is to be disposed of via a select tender or direct sale, then (unless the Council resolves otherwise) a minimum of two independent valuations must be obtained to ensure that an appropriate market value is obtained. The independent valuation must be made no more than 6 months prior to the proposed disposal.

j. The Council will seek to dispose of Land at or above current market valuation by whichever method is likely to provide the Council with a maximum return, unless there are reasons for the Council to accept a lesser return which is consistent with the Council’s overall strategic direction. These reasons must be documented in writing.

k. If the disposal is not to be on the open market, the disposal should be at or above the current market valuation (with due regard to all associated costs to achieve the transaction or such other amount as the Council resolves).

2) Assets disposal

a. The sale of Assets (both Major Plant and Equipment and Minor Plant and Equipment) will be the responsibility of the relevant Council Officer who is responsible for those Assets.

b. The Council will, where appropriate, dispose of Assets through one of the following methods, as directed by the Chief Executive Officer or their delegate:

iv. trade-in – trading in equipment to suppliers;

v. expressions of interest – seeking expressions of interest from buyers;

vi. select tender – seeking tenders from a selected group of persons or companies;

vii. open tender – openly seeking bids through tenders;

viii. public auction – advertisement for auction through the local paper and, where appropriate, a paper circulating in the State, or procuring the services of an auctioneer (following compliance with the Council’s Procurement Policy).

c. Selection of a suitable method will include consideration of (where appropriate):
ix. the public demand and interest in the Asset;

x. the method most likely to return the highest revenue;

xi. the value of the Asset and whether it is Major Plant and Equipment or Minor Plant and Equipment;

xii. the costs of the disposal method compared to the expected returns; and

xiii. compliance with statutory and other obligations.

d. Preference will be given to community groups for Minor Plant and Equipment.

e. Elected Members and employees of the Council will not be permitted to purchase Assets unless the purchase is via an open tender process or a public auction, and the tender submitted or bid made is the highest.

f. Purchasers of Assets must be required to agree in writing that before purchasing any Asset that no warranty is given by the Council in respect of the suitability and condition of the Asset for the purchaser and that the Council will not be responsible for the Asset in any respect following the sale.

3) Minor Plant and Equipment: Register of Interest

a. The Council will maintain a register of interest from Council employees and the public for the purchase of Minor Plant and Equipment which have not been disposed of through any of the processes in clause 5.2 of this Policy. The register will indicate a registrant’s items of interest and current contact details. If any item becomes available for disposal, a form confirming the availability of that Asset and seeking a bid for the Asset will be sent to those on the register.

b. The sale price will generally be the highest bid price. Reasons for not offering the item for sale to the highest bid price will be documented in the register.

c. The names on the register will only be valid for one year at the expiration of which time they will be removed. It is the responsibility of the person interested in purchasing an item to maintain his/her registration of interest.

d. The keeping of a register ensures that sales to staff members are transparent and gives the public the same opportunity to purchase such items.
20 Registers

20.1 Introduction

20.1.1 In accordance with Council’s Record Management Policy, Code of Conduct and the State Records Act of 1997, all Council Records, financial or otherwise, must be retained and maintain in accordance with the standards set.

20.2 Insurance

20.2.1 Identified insurable risks will be covered with a policy of insurance issued by Local Government Risk Services. The cover will be equivalent of full replacement cost.

20.2.2 The extent of cover, both risk and sum insured, shall be reviewed at least annually.

20.2.3 Cover will include as appropriate:

(1) Local Government special risks (property)
(2) Consequential loss
(3) Public liability
(4) Members, officers and employees
(5) Professional Indemnity
(6) Motor vehicle
(7) Fidelity guarantee
(8) Cash in transit/on premises
(9) Householders
(10) Computer equipment
(11) Workers Compensation
(12) Accident and sickness
(13) Travel
(14) Contract works
21 Computing/Electronic Accounting

21.1 Civica ‘Authority’ Corporate Database

21.1.1 Council uses Civica’s “Authority” accounting and payroll software running on a Linux Server platform.

21.2 Security

21.2.1 Security of the general and subsidiary ledgers is implemented at both the hardware and software levels. Initial access to the system is restricted by individual user ID code and password validation. Access to the database is restricted by system access routines.

21.2.2 Access to application programs in the financial and rating systems is restricted by relevant module securities per employee and database access security.

21.2.3 The relevant securities for specific modules are set for employees working in the specific accounting areas of creditors, debtors, payroll, general ledger, receipting and rate accounting. Employees in the above areas have full access to the respective module’s programs and can perform enquiry, reporting, data entry, processing and maintenance of financial records.

21.2.4 Employees outside these specific financial and rating areas are restricted to enquiry and reporting access only.

21.3 System Integrity

21.3.1 System integrity is maintained through the use of audit logs which track all changes to data in specific modules. In addition a comprehensive system of data backups and system redundancy mean that recovery from either a system failure or potential disaster situation can always be performed.

21.4 System Backup

21.4.1 The entire Authority database is fully backed up overnight. The system is backed up nightly and weekly (both to disk and tape), and the back up tapes are stored off site, in a fireproof data safe. Weekly backups are sent to Recall Data Protection to be stored in their off site data vaulting facility.
22 Financial Records

22.1 Fraud Prevention

22.1.1 City of Prospect is committed to protecting its revenue, expenditure and property from any attempt, to gain by deceit, financial or other benefits, by either members of the public, contractors, elected members or its own employees.

22.1.2 Council has both a Whistleblowers Protection Policy and an Anti-Fraud and Anti-Corruption Policy that aim to achieve fraud prevention.

22.2 Long Term Financial Plan

22.2.1 A Long Term Financial Plan will be developed as part of Council’s strategic management planning processes. The plan will provide a long term financial projection for a period of no less than 10 years and will be reviewed at least annually.

22.2.2 The Long Term Financial Plan will align with Council’s Strategic Plan and should form the basis for the annual budget each year.

22.2.3 Assumptions used in developing the plan will be reviewed yearly and updated in conjunction with Council’s annual budget development process.

22.2.4 The assumptions used in developing the plan should address at a minimum Council’s position on debt levels, the management of the community’s infrastructure assets, rate revenue increases and specific operational expenditure strategies.

22.2.5 The Long Term Financial Plan should include:

(1) Estimated Statement of Comprehensive Income
(2) Estimated Balance Sheet
(3) Estimated Cash Flow Statement
(4) Estimated Statement of Changes in Equity
(5) Estimated Uniform Presentation of Finances
(6) Key Financial Indicators
(7) Capital Project & Operating Project Expenditure Programme

22.3 Statutory Financial Reporting

22.3.1 Annual financial statements shall be prepared in accordance with applicable Australian Accounting Standards, other applicable accounting standards and the Local Government (Financial Management) Regulations, 1999.
22.3.2 Audited financial statements will be presented to Council for adoption no later than 31st October of each year.

22.3.3 Audited financial statements will be submitted to the relevant Minister and to other bodies as prescribed in the Regulations before 30th November each year.

22.3.4 A summary of significant Accounting Policies for the purpose of preparing the annual audited financial statements are as follows:

1. **Basis of Preparation**

   1.1 Compliance with Australian equivalents to International Financial Reporting Standards

   General purpose financial reports should be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretation and relevant South Australian legislation.

   1.2 Accrual Basis & Historical Cost Convention

   Financial statements are prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

   1.3 Critical Accounting Estimates

   Financial statements are prepared to conform with AIFRS and requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies.

   1.4 Compliance with International Financial Reporting Standards

   AIFRS include certain specific provisions relating to not-for-profit entities that are not included in the International Financial Reporting Standards. In addition, Australian Accounting Standard AAS 27 *Financial Reporting by Local Governments* also applies.

2. **The Local Government Reporting Entity**

   City of Prospect is incorporated under the SA Local Government Act, 1999 and has its principal place of business at 128 Prospect Road, Prospect.

3. **Revenue Recognition**

   Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when Council obtains control
over the assets comprising the revenue, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed. Also disclosed is the amount of grants, contributions and receivables recognised as revenues in a previous reporting period which were obtained in respect of Council's operations for the current reporting period.

4. Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act, 1999 (as amended). Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition.

5. Infrastructure, Property, Plant & Equipment

Transitional Provisions

Council elected not to recognise land under roads in accordance with the deferral arrangements available under AASB 1045 which expired 30 June 2008. As at 1 July 2008, Council has elected not to recognise any values for land under roads acquired before the commencement of AASB 1051 Land Under Roads.

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.
Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds the materiality threshold of $1,000 as established by Council. No capitalisation threshold is applied to the acquisition of land or interests in land.

Subsequent Recognition

Certain asset classes are re-valued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

All non-current assets, other than receivables and investments, are re-valued at least once in every five years in accordance with the Local Government (Financial Management) Regulations 1999. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be re-valued regardless of when the last valuation took place. Non-Current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are re-valued to depreciated replacement cost.

Revaluation increments arising upon revaluing the above mentioned non-current asset classes to their depreciated replacement cost are credited directly to the asset revaluation reserve.

Where assets are re-valued to depreciated replacement cost, (adjusted to reflect the present condition of the assets) and not by reference to current prices for assets newer than those being re-valued, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are increased or decreased by the revaluation increments or decrements.

Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Depreciation life for each major class of asset are shown below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care
should be used in interpreting financial information based on these estimates. Depreciation of infrastructure assets commences the year following initial capitalisation.

<table>
<thead>
<tr>
<th>Asset Classification</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20 to 80 years</td>
</tr>
<tr>
<td>Sheds and Shelter</td>
<td>25 to 35 years</td>
</tr>
<tr>
<td>Toilet Blocks/Storerooms/Clubrooms</td>
<td>40 to 50 years</td>
</tr>
<tr>
<td>Civic Centre and Grandstand</td>
<td>80 years</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Roads – Surface</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Kerb &amp; Gutter</td>
<td>70 years</td>
</tr>
<tr>
<td>Roads – Base</td>
<td>65-100 years</td>
</tr>
<tr>
<td>Footpaths</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Bitumen</td>
<td>15 – 30 years</td>
</tr>
<tr>
<td>Paved</td>
<td>50 years</td>
</tr>
<tr>
<td>Storm-water Drainage</td>
<td>100 years</td>
</tr>
<tr>
<td>Pipes</td>
<td>100 years</td>
</tr>
<tr>
<td>Side Entry Pit Box Drains &amp; Junction Boxes</td>
<td>80 years</td>
</tr>
<tr>
<td>Open Chanel</td>
<td>70 years</td>
</tr>
<tr>
<td>Library Books</td>
<td>5 years</td>
</tr>
<tr>
<td><strong>Plant &amp; Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Furniture and Fittings</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Art Works</td>
<td>100 years</td>
</tr>
<tr>
<td>Other Non Current Assets</td>
<td>10 – 20 years</td>
</tr>
<tr>
<td>Outdoor settings/furniture</td>
<td>10 – 15 years</td>
</tr>
<tr>
<td>Irrigation</td>
<td>20 years</td>
</tr>
</tbody>
</table>

Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.
6. **Payables**

   **Goods & Services**
   Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

   **Payments Received in Advance & Deposits**
   Amounts received from external parties in advance of service delivery, and deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

7. **Borrowings**

   Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of “Payables”.

8. **Employee Benefits**

   **Salaries, Wages & Compensated Absences**
   Liabilities for employees’ entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on costs) measured in accordance with AASB 119.

   Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on costs) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

   No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for unused sick leave.

   **Superannuation**
   Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

   **Accumulation Fund Members**
   The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in
accordance with Superannuation Guarantee Legislation. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members
Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 9% of superannuation salary. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

9. Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as “payments received in advance”.

10. Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Such regional subsidiaries are subject to joint control within the meaning of AASB128.2/AASB131.3.

11. Leases

Lease arrangements are accounted for in accordance with Australian Accounting Standard AASB 117.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

12. GST Implications

(1) Receivables and Creditors include GST receivable and payable.

(2) Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
(3) Non-current assets and capital expenditures include GST net of any recoupment.

(4) Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

GST relating to financial and investment activities are treated as operating cash flows.

13. Comparative Information

Comparative information will be reclassified to be consistent with the current year disclosure of equivalent information in accordance with AIFRS.

14. New Accounting Standards

Certain new accounting standards published (as at 30th June 2012):

- AASB 8 Operating Segments
- AASB 13 Fair Value Measurement
- AASB 101 Presentation of Financial Statements
- AASB 123 Borrowing Costs
- AASB 1004 Contributions
- AASB 1050 Administered Items
- AASB 1051 Land Under Roads
- AASB 1052 Disaggregated Disclosures
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]
- AASB 2007-8 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]
- AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]
- Interpretation 4 Determination whether an Arrangement contains a Lease
- Interpretation 13 Customer Loyalty Programmes
- Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Interpretation 129 Disclosure – Service Concession Arrangements
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities

15. Professional Indemnity and General Public Liability Insurance

Professional Indemnity and General Public Liability claims arising from Council’s operations are managed as part of the Local Government Insurance Scheme. Council pays an annual contribution to the Local Government Mutual Liability Scheme, which is
responsible for meeting the cost of any claims. Consequently no provision for these claims is recognised in Council’s financial statements.

22.4 Procedures for the Certification of the Annual Financial Statements

22.4.1 The principal accounting officer (Manager Financial Services), will prepare draft statements for submission to the Audit Committee, and for external audit.

22.4.2 The Audit Committee will review the draft statements to ensure that they present fairly, the affairs of Council. This review will be conducted independent of the external audit. However, it is anticipated that the Audit Committee will have the benefit of any information available (informal or otherwise) on particular matters raised by the auditor up until the time of the review. Any suggested changes will be provided to the principal accounting officer.

22.4.3 Following the external audit, the principal accounting officer and auditor will propose any necessary amendments to the draft statements, which will be referred to the certifying officers for consideration.

22.4.4 The certifying officers will review the proposed amendments to the draft statements and will either refer them to the Audit Committee for further consideration or may, if satisfied that the proposed amendments are appropriate, complete and date the certificate. The certificate of the final statements will be signed by the Mayor and the Chief Executive Officer.

22.4.5 The date of the certificate will be the date of authorisation for issue of the annual financial statements for the purpose of AASB 110 Events after Balance Sheet Date.

22.4.6 As soon as practicable thereafter, the annual financial statements (including the accompanying auditor's report and other certificates) will be sent to the Local Government Grants Commission and will be tabled, for noting, at an ordinary Council meeting.
22.4.7 The procedures regarding certification of the Annual Financial Statements can be summarised as follows:

Manager Financial Services to prepare Statements

External Audit of Statements

Auditor Cleared Statements to Audit Committee (includes matters raised by External Auditor)

Auditor to make final adjustments

Final Statements submitted to Mayor & CEO to be certified

Final Statements submitted to Auditor for provision of Audit opinion

Certified Financial Statements and Audit Opinion to Council for Noting

Prepare Grants Commission Return

Significant changes to be resubmitted to Audit Committee
23 Treasury Management Policy

23.1 Purpose

23.1.1 The Treasury Management Policy (the Policy) provides procedures to ensure sufficient cash flow to fund Council’s recurrent, project and capital expenditure.

23.2 Policy Objectives

23.2.1 The Policy establishes a decision framework to ensure that:

1. funds are available as required to support approved outlays;
2. interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
3. net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term

23.3 Policy Statement

23.3.1 Treasury Management Strategy

Council’s operating and capital expenditure decisions are made on the basis of:

1. identified community need and benefit relative to other expenditure options
2. cost-effectiveness of the proposed means of service delivery; and affordability of proposals having regard to Council’s long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council’s Net Financial Liabilities and Interest Cover ratios)

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

1. maintain target ranges for Net Financial Liabilities and Interest Cover ratios
2. not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties
3. borrow funds in accordance with the requirements of the Long Term Financial Plan and accordance with Section 134, Local Government Act, 1999
4. apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank
accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required

23.3.2 Interest Rate Risk Exposures

Fixed Interest Rate Borrowings

In order to spread exposure to interest rate movements, Council will aim to have a variety of maturity dates on fixed interest rate borrowings over the available maturity spectrum. In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long-term borrowings (3 years or more duration) that:

(1) have a fixed interest rate, and

23.3.3 Require interest and principal paymentsInvestments

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested.

The balance of funds held in any operating bank account that does not provide investment returns at least consistent with ‘at call’ market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

Council funds available for investment will be lodged ‘at call’ or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term.

In the case of fixed term investments the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council’s variable interest rate borrowing facility.

When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Council management may from time to time invest surplus funds with the Local Government Finance Authority.

23.3.4 Reporting

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:

(1) Council borrowing and investment (Section 140, Local Government Act, 1999) - the quantum of funds, the interest rates and maturity dates, and changes in the quantum since the previous report, and
(2) the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across this period

24 Review

24.1 The Manual will be reviewed in line with Council’s Policy Framework or earlier in the event of major changes to legislation or related policies/procedures or if deemed necessary by the Chief Executive Officer or Relevant Director.

25 Access to the Manual

25.1 The Policy is available for public inspection on Council’s website www.prospect.sa.gov.au and from Customer Service at the Civic Centre, 128 Prospect Road, Prospect SA 5082.

26 Further Information

26.1 For further information about the Accounting Policies and Procedures Manual please contact:

Director Corporate Services
City of Prospect
128 Prospect Road
Prospect SA 5082