



Prudential Standards Governance Standard



The 4 Prudential Standards (contained in the *Aged Care Act 1997* and the *Fees and Payments Principles 2014 (No. 2)*) help you manage consumers' refundable deposits. The Prudential Standards cover:

- governance
- liquidity
- records
- disclosure.

The Prudential Standards detail your responsibilities about the use and management of your consumers' refundable deposits. They help you limit risk and manage finances. When you meet the Prudential Standards, your organisation can grow and you can continue to improve aged care and services. It can also help build consumer trust in you as a provider. The Prudential Standards work together to make best practice financial governance and operations your everyday standard.



Governance Standard purpose

The Governance Standard supports you to develop strong systems and processes to hold, invest and refund consumers' refundable deposits on time. It helps you manage refundable deposits and plan how to use them for permitted uses.

Governance

Governance is about the structures, systems, controls, staff roles and responsibilities and communications in your organisation. The Governance Standard helps you connect financial and prudential governance with corporate governance.

Your governance system

If you hold a refundable deposit, you must develop, maintain, write down and communicate your governance system.

Requirements

Your governance system must:

- give key personnel responsibilities to manage refundable deposits
- monitor and control any delegation of these responsibilities
- make sure key personnel (or responsible persons, if outsourced) understand all legal requirements of refundable deposits
- have reporting systems, so key personnel can see and control the use of refundable deposits
- find, record and address all cases of non-compliance.

You must:

- write down your governance system and its processes
- keep it up to date
- change or replace it if it stops meeting any requirements.



Your investment management strategy (IMS)

You can use refundable deposits to invest in approved financial products. Investing can bring extra income you can use to improve your operations and consumer outcomes. It can make a difference to the quality of your services, the care you provide and the lives of your consumers. However, it also brings risks that you need to manage. Implementing and maintaining an IMS makes sure you have identified these risks and explains how you will manage them.

You need an IMS if you invest refundable deposit funds in financial products listed in s50(1) of the Fees and Payments Principles.

Requirements

Your IMS must:

- state your investment goals
- detail how your investment goals may affect your ability to refund refundable deposits on time
- explain your plan to reach your investment goals and still have enough liquidity to refund deposits
- state the asset classes you plan to invest in and the amount of money you plan to invest in each class (the asset classes and amounts need to help you meet your investment objectives)
- name the key personnel with suitable skills and experience who implement your IMS
- be approved by key personnel responsible for executive decisions.

You must:

make sure all investments using refundable deposits follow your IMS

keep your IMS up to date

change or replace your IMS if it stops meeting any requirements.

You must have a written version of your governance system and IMS (if applicable), follow it and update it. This shows your auditors and the Commission how you meet the Governance Standard. The Commission can ask you for a copy for monitoring and compliance purposes at any time.

Further information

[Prudential Standards webpage](#)

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