

FIXED ASSETS MANAGEMENT PROCEDURE[®]

DOCUMENT SUMMARY/KEY POINTS

- Describes procedure for acquisition, capitalisation, transfer and retirement of fixed assets
- This procedure is made under the Sydney Children's Hospitals Network's [Fixed Assets Policy](#) and must be read in conjunction with this Policy.

READ ACKNOWLEDGEMENT

- This Procedure applies to all the departments within the Sydney Children's Hospitals Network (Network) that manage, control or acquire or intend to acquire property, plant and equipment.
- It is up to a local manager to determine which staff, if any, are to read and acknowledge the document .

This document reflects what is currently regarded as safe practice. However, as in any clinical situation, there may be factors which cannot be covered by a single set of guidelines. This document does not replace the need for the application of clinical judgement to each individual presentation.

Approved by:	SCHN Policy, Procedure and Guidelines Committee	
Date Effective:	1 August 2016	Review Period: 3 years
Team Leader:	Senior Accountant	Area/Dept: Finance

Procedure: Fixed Assets Management

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Governing Policy

This procedure is made under the Sydney Children's Hospitals Network's [Fixed Assets Policy](#).

Scope

This procedure applies to all the departments within the Sydney Children's Hospitals Network (Network) and covers purchases, disposals, transfers and management of fixed assets. This procedure covers all tangible and intangible non-current assets and describes the actions required of each responsible area within the Network.

Procedure

1. Acquisition of an asset

1.1 Acquisition

Described hereafter is an indicative asset acquisition process. The process for purchase of an asset is managed by the Network's Equipment Committee. The Equipment Committee meets on a periodic basis to agree on priorities for assets replacement. The Equipment Committee aims to ensure equity and transparency in the overall process of establishing a prioritised central assets plan for forward years for medical equipment and IT assets. Flow chart of the process to get an item on the Equipment List is available on the SCHN intranet link: http://chw.schn.health.nsw.gov.au/o/groups/equipment_committee/

The process for purchase of assets also involves Capital Planning and Monitoring Committee (CPMC). The CPMC prioritizes and allocates available General Fund capital funding to assets costing over \$10,000 but under \$250,000. These include corporate non-medical assets and the items referred to CPMC by the Equipment Committee where such item is listed with highest priority on the Equipment Committee's asset plan but does not have an identified source of SP&T funding.

SCHN Policy requires a Business Case for all equipment purchases or capital works over \$250,000. In addition, equipment or capital works over \$250,000 funded from local sources, like SP&T, require further approval and corresponding budget allocation from the Ministry and have further reporting requirements.

To manage the General Fund capital budget it is necessary to track and monitor funding allocated by CPMC throughout each financial year. To facilitate this, the process described below is to be followed once the CMPC advises its approval:

- 1.1.1 Cost Centre proposing to buy an asset is to contact the Senior / Financial Accountant in the Finance Department to obtain an Approval Number. For this purpose, the Cost Centre Manager must provide full details of the proposed asset purchase, including description of the item, quantity, price per unit and total cost of acquisition, tentative date when the order is to be placed, the beneficiary cost centre number (i.e the

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General Fund or Research cost centre where the item would be held and capitalised to), the funding cost centre number (particularly if the funding is coming from a cost centre other than the beneficiary cost centre) and the amount funded by each funding cost centre in case of multiple sources and the date when the proposed purchase was approved by the CPMC.

- 1.1.2 The Senior / Financial Accountant would verify the details of proposed purchase against the information received from the CPMC. In case of discrepancy or unavailability of matching information, the Senior Accountant would contact the CMPC and/or the concerned Cost Centre Manager for further details and clarification.
- 1.1.3 Once the Cost Centre's request is matched with the CPMC approval, the Senior / Financial Accountant shall record the proposed purchase on the CAPEX monitoring spreadsheet and advise an Approval Number, relevant CAPEX details and corresponding accounting distribution by email to the requesting Cost Centre Manager. The accounting distribution is determined by the nature of acquisition and type of item being acquired. Below are examples of distributions that apply to certain scenarios:

Nature of Acquisition	Type of Item being acquired	
	Ready-to-use item	Construction project
Minor Works & Equipment (MW&E)	A/c#680050-XXXXXX (Funding Cost Centre)- 51069- 7XXX (Entity Code)- 0000	Buildings: A/c#670200-XXXXXX (Project Cost Centre)-51069-7XXX (Entity Code) Plant & Equipment: A/c#671200-XXXXXX (Project Cost Centre)-51069-7XXX (Entity Code) Intangible Assets: A/c#673200-XXXXXX (Project Cost Centre)-51069-7XXX (Entity Code)
Capital Works – Locally Funded	Plant & Equipment: A/c#654300-XXXXXX (Funding Cost Centre)- XXXXX (Project Code)- 7371 (Entity Code)- 0000	Buildings: A/c#670300-XXXXXX (Project Cost Centre)-XXXXX(Project Code)-7371 (Entity Code) Plant & Equipment: A/c#671300-XXXXXX (Project Cost Centre)-XXXXX(Project Code)-7371 (Entity Code) Intangible Assets: A/c#673300-XXXXXX (Project Cost Centre)-XXXXX(Project Code)-7371 (Entity Code)
Capital Works – DOH Funded	Plant & Equipment: A/c#654350-XXXXXX (Funding Cost Centre)-	Buildings: A/c#670350-XXXXXX (Project Cost Centre)-XXXXX(Project Code)-7371 (Entity Code) Plant & Equipment:

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	XXXXX (Project Code)- 7371 (Entity Code)- 0000	A/c#671350-XXXXXX (Project Cost Centre)- XXXXX(Project Code)-7371 (Entity Code) Intangible Assets: A/c#673350-XXXXXX (Project Cost Centre)- XXXXX(Project Code)-7371 (Entity Code)
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- 1.1.4 The requesting Cost Centre Manager shall include this Approval Number within the description field of his/her Purchase Requisition (PR) and code the purchase to the accounting distribution advised by the Senior / Financial Accountant.
- 1.1.5 The PRs shall go through the normal approval chain that may include the Director of Finance and Corporate Services (DOFCS) or his/her delegate.
- 1.1.6 Apart from usual approval checks, where the PR is received by the DOFCS or his/her delegate for approval, he/she may also review the PR to confirm that the PR includes the Approval Number in its description field and that the item is coded to appropriate accounting distribution.

1.2 Capitalisation of additions

1.2.1 Capitalisation Criteria

AASB 116 describes under Recognition that the cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

The future economic benefit of an asset is denoted in terms of useful life of an asset. In order to determine if an item of expenditure warrants to be recognized as an asset, an accountant, where necessary, shall liaise with the concerned cost centres to determine the useful life of an item and the fair value of an item where this information is not readily available from the ledger. This would be true in case of items received as donation in kind from third parties, items found on stocktake.

1.2.2 Capitalisation Process

Capitalisation process of an asset varies depending on whether the acquired item is a ready to use item or it is an item that is being built or constructed by the Network. Capitalisation of a ready to use item would be processed by Finance as soon as it reviews the acquisition transaction –

- i) to confirm the initial cost of an item;
- ii) to establish that the item meets capitalisation criteria; and

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iii) once the receiving Cost Centre Manager or Department Head confirms that the item is put

into service or is ready to go into service and also advises the cost centre number (within General Fund or Research) under which the asset is to be capitalised.

Capitalisation of item constructed or built by or on behalf of the Network would be processed by Finance as soon as the project to construct / build that asset is signed off as complete and the asset is put into service or is ready to go into service, as confirmed by the concerned Cost Centre Manager or Department Head.

The step-by-step capitalisation process is detailed hereunder and a Flow Chart is included under Exhibit-2.

As stated in the [Fixed Assets Policy](#), it is the responsibility of the Cost Centre Manager or Department Head to advise Finance Department in no more than ten working days from the date of receipt or installation of an item. It is suggested that you complete the [Fixed Asset Acquisition Advice](#) form for this purpose and send it to Finance. If the Fixed Asset Acquisition Advice is not completed, the following information must be included in the email advice to Finance:

Number and Name of the Cost Centre that has received the asset; Date of receipt; Description of the item; Serial Number or Biomedical Engineering Tag No., where available; PO No.; Vendor Name; Vendor Invoice No. and date (in case of donated asset, provide Donation Receipt No. if a receipt has already been issued by the Fundraising Department); Cost (excluding GST) of the item (must be supported by a copy of vendor invoice); Date the item is put into service; GF or Research Cost Centre No. that owns or controls the asset (this is the cost centre under which the item would be capitalised); Estimated Useful Life of the item; if the item is in replacement of or an enhancement to or refresh of an existing asset provide Asset No / Asset Tag No. of the existing asset.

An accountant responsible for fixed assets shall liaise with the concerned Cost Centre Managers and Department Heads and do the following:

- 1.2.2.1 Identify the acquired item – Run General Ledger transactions listing for asset acquisition accounts at regular intervals and review the transactions to identify capital acquisitions including those advised by the receiving cost centres.
- 1.2.2.2 Transactions that meet capitalisation criteria are to be matched to their respective PO, Purchase Requisition and Approval Numbers issued by Finance and added to the CAPEX file of the month.
- 1.2.2.3 Gather further details of the transactions to determine cost and nature of an item. AASB 116 requires an entity to evaluate all property, plant and equipment costs under the recognition criteria and confirm if the transaction meets capitalisation criteria. Transactions that are confirmed to be failing capitalisation criteria either individually or as a group, where a number of different components make up a single item, are required to be recoded to appropriate expense accounts.
- 1.2.2.4 Based on the information gathered in relation to capitalisable items determine whether the expense is a part of a project cost or a ready to use

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item. Expenses that relate to a project are required to be coded to relevant project WIP before the WIP is capitalised upon completion of the project. Where an item is meant to replace an existing item, the accountant would liaise with the concerned Cost Centre Manager or Department Head to ensure that appropriate duly completed Retirement form is provided by the cost centre to retire the existing asset (refer the Asset Retirement process described below). In case of an item being added to the existing asset base, the accountant shall determine if the new cost is for a newly acquired item or subsequent cost relating to an existing item. In both these cases it is necessary to consider if the new item or the subsequent cost enhances, adds to or refreshes an existing item. Subsequent costs must be evaluated by the accountant in the same manner as a new addition to confirm that the subsequent costs satisfy the recognition criteria. AASB 116 doesn't differentiate between initial and subsequent costs; the recognition criteria are the same for all costs. For this, the accountant should consider the impact of such expenditure on the service capacity, service quality and useful life when assessing whether the expenditure warrants to be capitalised.

- 1.2.2.5 An item that is meant to add to, enhance or refresh an existing item is to be capitalized in the same manner as any other newly acquired item except that in this case the information for the new asset shall include reference to the parent asset that is being refreshed, added to or enhanced. The cost of such refresh or enhancement of an existing asset shall not be added to the cost of existing parent asset because of system limitations as well as to ensure integrity of data, but, instead capitalized as a separate item.
- 1.2.2.6 For items that meet capitalisation criteria confirm the cost centre under General Fund or Research that controls the asset unless already advised through the Fixed Asset Acquisition Advice provided by the receiving cost centre. This is the Cost Centre to which the asset is to be capitalised. The accountant shall match each transaction to corresponding information provided by respective Cost Centre Manager or Head of Department.
- 1.2.2.7 Upon matching the capital addition transaction in the General Ledger to the details provided by respective cost centres the accountant shall complete / update the Fixed Asset Acquisition Advice form inserting therein Asset Tag Number and send the completed form along with an Asset Tag sticker to the concerned Cost Centre Manager or Department Head. An Asset Tag sticker is a barcode strip bearing a unique number assigned by Finance to an asset to facilitate identification and control. This number is recorded on the FAR as an Asset Tag number in addition to the system generated number that is called an Asset Number.
- 1.2.2.8 Fixed Asset Acquisition Advice form and Asset Tag: The Cost Centre Manager or the Department Head shall check the details on the Fixed Asset Acquisition Advice form provided by the accountant; remove the Asset Tag sticker from the form or request one from Finance unless Biomedical Engineering has already affixed its barcode and affix the Finance provided sticker to the item it relates to. The sticker should be affixed firmly at such a place as would make it easy to sight it and identify

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the item while at the same time making sure that it does not hinder the functionality of the item. Ideally it should be stuck to the top right corner of the back panel of an item, unless the back panel is not accessible or it is impractical to do so, in which case the Cost Centre Manager / Department Head should determine the most appropriate place for the sticker using their judgment. The Cost Centre Manager / Department Head and his/her respective Program Chair / Director shall sign off the completed Fixed Asset Acquisition Advice form and return it to the accountant in Finance. Where the form requires any correction/s the Cost Centre Manager shall contact the accountant in Finance Department to discuss the corrections and then sign off the corrected form as described earlier.

- 1.2.2.9 Upon receipt of the signed Fixed Asset Acquisition Advice form the accountant shall prepare an ADI template, attach copies of relevant supporting documents, Fixed Asset Acquisition Advice forms, GL Trial Balance and seek approval of the Manager Financial Accounting.
- 1.2.2.10 Once approved by the Manager Financial Accounting the accountant shall submit the ADI to HealthShare for processing the additions in the Oracle Fixed Assets Register.
- 1.2.2.11 The accountant shall check the additions report provided by HealthShare upon processing of additions to ensure correctness of the uploaded data.
- 1.2.2.12 Current Oracle capitalisation process requires manual journals for capitalisation of assets in the General Ledger. The accountant shall prepare journals for this purpose before the close of General Ledger each month. This journal would move the transaction from the asset acquisition clearing account, currently A/c # 680050, or respective WIP account where the transaction/s is/are initially coded, to the respective Asset Addition account and cost centre under which the asset is capitalised.

1.2.3 Cost of an asset

- 1.2.3.1 Paragraph 15 of AASB 116 requires that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. It further states under Paragraph Aus15.1 that notwithstanding paragraph 15, in respect of not-for-profit entities, where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.
- 1.2.3.2 In case of items received as donation in kind where the Network pays no cost at all or pays only a nominal cost, it is necessary that a fair value of such item as at the date of its acquisition is worked out. The [Fixed Assets Policy](#) requires the manager of a cost centre or head of a department that has received such an asset to advise Finance Department in no more than ten working days from the date of receipt of an item by completing an Fixed Asset Acquisition Advice form and providing it with relevant supporting documentation, including a copy of purchase invoice to support the cost of an item to Finance. Finance would liaise with the concerned Cost Centre Manager or Department Head to gather relevant information about the asset to determine or confirm its fair value. The process for adding the

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asset to the Oracle FAR would be same as that applies to the assets purchased by the Network. As for capitalisation in the General Ledger Finance would liaise with the concerned Cost Centre Manager or Department Head to confirm that the information as to the fair value of the asset is passed on to Fundraising Department to record donation income relating to the asset. Upon reviewing donation income entries in the General Ledger the Senior Accountant shall process necessary capitalisation journals in the General Ledger.

1.2.3.3 Paragraph 16 of AASB 116 describes the element of cost of an item of property, plant and equipment as follows:

The cost of an item of property, plant and equipment comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Examples of directly attributable costs provided in AASB 116 include:

- costs of site preparation;
- initial delivery and handling costs;
- installation and assembly costs;
- professional fees;
- costs of employee benefits (as defined in AASB 119 Employee Benefits) arising directly from the construction or acquisition of the item; and
- costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment).

1.2.2.4 The total cost of the new asset is not reduced by any benefit received from the trade-in of an asset. The cost of the new item and the trade-in value are to be recorded separately.

1.2.2.5 The cost of an asset does not include items purchased for use in the repair or maintenance of the asset.

2 Disposal / retirement of assets

Where a Capitalised Asset is no longer in working order or is unable to be repaired, is technically obsolete, sold or traded-in for another item or unable to be located after reasonable search, the item is required to be retired from the FAR so that the FAR is kept up to date and current. All disposals of assets must comply with the NSW Health Goods and Services Procurement Policy.

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The process for retirement of an asset is as follows and a process flow-chart is included under Exhibit-3:

- 2.1 The Cost Centre Manager or Department Head that owns or controls the item must complete the [SCHN Asset Retirement Advice](#) and sign it as a recommending officer and obtain signature of the Service Director responsible for the cost centre as an approval for retirement. The completed and signed form is to be provided to Finance to process update of the FAR.
- 2.2 The Senior Account shall review the submitted form to ensure its complete, the item sought to be retired is on the Fixed Assets Register, the form contains reasons explaining retirement (particularly where an asset to be retired has not reached zero Net Book Value), there are no further queries and that the form is acceptable to process retirement. If the form is in order, the accountant will accept for processing retirement. Where the form is incomplete or not in order, the accountant shall decline the request and return the form back to the CC Manager with queries.
- 2.3 The accountant shall review the G/L to find sales proceeds, if any, or to confirm the sales proceeds reported on the Retirement form
- 2.4 The accountant shall complete the ADI template and provide it along with supporting documents and Retirement forms to the Manager Financial Accounting for review and approval. Once reviewed by the Manager Financial Accounting must be approved by the Director of Finance and Corporate Services (DOFCS) and where the original cost of any item exceeds \$50,000 further approval of the Network's Chief Executive is required.
- 2.5 The accountant shall submit the completed ADI template to HealthShare for processing once approved by the DOFCS and CE, as applicable.
- 2.6 The accountant shall check the retirements report provided by HealthShare upon processing of retirements to ensure correctness of the uploaded data.
- 2.7 The accountant shall check the retirement journals posted by HS at the month-end and make corrections, as necessary, through manual journals before the close of G/L for the month.

For Attractive Assets with an original cost less than \$10,000 (excluding GST) a cost centre or department must complete an asset disposal form in the same manner as that for a Capitalised Asset and retain it in the cost centre or department for audit purposes. All disposals of Attractive Assets must be approved by the Program Chair or Service Director in accordance with their level of delegation.

3 Asset Transfers

Asset Transfer refers to a permanent transfer of an item between two cost centres within the Network. Where an asset is sought to be transferred to another cost centre, the transferor cost centre shall initiate the transfer by filling in a [SCHN FA Transfer form](#). The Asset Transfer form is required to be signed by both the transferor and the transferee Cost Centre Managers and their respective Program Chairs / Directors before the completed form is provided to Finance for processing an update to the FAR.

4 Assets Stocktake

In compliance with the NSW Ministry of Health requirements the Network shall conduct an asset stocktake every year covering mainly plant and equipment. The stocktake shall ensure that the items of plant and equipment – both Capitalised Assets as well as Attractive Assets – are sighted at least once each year to confirm their existence and condition. The stocktake is to be conducted by individual cost centres in their respective areas during the stocktake period determined by Finance and using the listings of assets provided to them by Finance. The stocktake provides an opportunity for the cost centres and departments to reconcile their Oracle asset listings with the physical asset holdings, confirming the existence of assets listed and ensuring that the details of all assets are correctly recorded.

Annual stocktake of assets would involve the following –

- 3.1 *Planning and scheduling:* Finance would ensure that the annual stocktake is concluded by the end of February and results thereof recorded and FAR updated, where required, by no later than the second week of March each year. Towards this aim Finance may schedule to conduct the stocktake over the period from November to mid-February with the completed Returns due back to Finance by the end of February.
- 3.2 *Stocktake memo:* The accountant responsible for fixed assets, in coordination with the Manager Financial Accounting, will prepare the annual assets stocktake memo. The memo, approved by the Associate Director of Finance, advising the schedule of annual assets stocktake and guidance on the stocktake process shall be distributed by the accountant to all the cost centres around the Network.
- 3.3 *Stocktake input:* Within ten working days of the issuance of the memo, the accountant shall supply listings of assets to each cost centre. For this purpose, the accountant shall extract from the latest Oracle FAR Inventory Report listings of assets for each cost centre and insert these in the annual assets stocktake electronic template, called Cost Centre Assets Physical Inventory Return. The Cost Centre Assets Physical Inventory Return provided by Finance to the cost centres is the stocktake input for the Cost Centre Managers and Department Heads to begin the stocktake process. The template has instructions on how to complete the template and prompts all through the template to guide the users.
- 3.4 *Stocktake process:* At the minimum the assets stocktake would involve confirmation of existence of an asset by the Cost Centre Managers or Department Heads. This would entail the Cost Centre Manager or Department Head sighting each asset in his/her cost centre as listed on the Cost Centre Assets Physical Inventory Return (electronic stocktake template) and confirming that the item is permanently held by his/her cost centre, i.e. it is not on loan from another cost centre, and that the item is found to be in good working order. The process also requires the Cost Centre

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Manager or Department Head to check other details of an asset, like its serial number, model number, description, etc. for their correctness. In addition, the process may also involve confirming or providing an estimate of the Remaining Useful Life of the assets, if Finance requests that information as a part of stocktake. The Cost Centre Manager or the Department Head must answer the questions and fill in required information for each item on the electronic stocktake template. The template is to be filled in electronically making sure that the format of the template is not altered. Once completed it should be printed and signed off by the Cost Centre Manager or Department Head.

3.5 *Stocktake Returns:* At the completion of the stocktake, the Cost Centre Assets Physical Inventory Return completed and signed by the Cost Centre Manager or the Department Head is required to be submitted along with appropriate completed forms, where update of FAR is required. Each Cost Centre Manager or Department Head shall submit the following documents to Finance by the due date advised by Finance:

- a) Hard copy of the completed and signed Cost Centre Assets Physical Inventory Return; and
- b) Excel copy of the completed Cost Centre Assets Physical Inventory Return
- c) Hard copies of completed and signed Fixed Asset Acquisition Advice forms, Asset Retirement forms and/or Asset Transfer forms, as the case may be, where update to the FAR is required. The forms must be accompanied by appropriate documentation in support of the required change.

3.6 *FAR Updates:* The updates to FAR could be required for adding an asset, retiring an asset, transferring an asset, changing the remaining useful life of an asset, where practical, or simply to update certain information relating to the asset on the FAR. Further information regarding retirement, transfer and addition is as follows:

3.6.1 *Retirement / Transfer:* Where a Cost Centre Manager or Department Head is unable to sight an item or is unable to confirm that the item is in good working order or the item could not be located after reasonable search and the Cost Centre Manager or Department Head believes that the item is lost or unable to be traced, appropriate update to the Oracle FAR is necessary. Cost Centre Manager or Department Head should consider the option of retiring the item and provide completed and approved Asset Retirement form to Finance so as to ensure that Oracle FAR reflects the current and actual position, unless the item is traced to another cost centre where it is intended to be residing permanently in which case an Asset Transfer form signed by the managers of both, the transferor and the transferee cost centres and their respective Service Directors is to be provided to Finance to update the FAR.

3.6.2 *Addition:* Where a Cost Centre Manager or Department Head finds an asset which is not listed on the FAR under his/her cost centre, the Cost Centre Manager or Department Head shall liaise with the accountant in Finance to confirm if the item in question warrants to be on the FAR and if so, whether or not the item is listed under any other cost centre on the FAR or it is a newly acquired item that is waiting to be added to the FAR. If the item in question is not a newly acquired item awaiting addition to the FAR and is not already appearing on the FAR the accountant will be able to advise the Cost Centre Manager or Department Head if the item should be added to the FAR in which

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case the Cost Centre Manager or the Department Head shall complete and Fixed Asset Acquisition Advice form, attached relevant supporting documents to it and provide it to Finance to update the FAR.

The accountant shall consider the following when determining whether the item found on stocktake should be added to the FAR –

- Does the item in question meet capitalisation criteria?
- Is it an item that has been retired in the past?
- When was the item put into service?
- What evidence is available to support the initial cost and age of the item?
- Is the item expected to be used for more than one year from the time of stocktake when the item is found? If so, what is the estimated remaining useful life of the item?
- Can the cost or fair value of the item be measured reliably?
- Any other relevant factors depending on each case.

5 Assessment of Useful Life of Assets

The Ministry of Health has mandated that as from 01 July 2015 all Health entities must perform an annual useful life assessment of all classes of plant and equipment and intangible assets with a cost price greater than \$100,000 and remaining useful life of less than 36 months. While the Assets Stocktake focusses on confirmation of existence of all the plant and equipment assets, the Assessment of Useful Life of Assets covers only certain items of plant and equipment and intangible assets that meet the stipulated criteria and as such may impact only some of the cost centres. In compliance of this NSW Ministry of Health requirement the Network shall perform assessment of useful life of assets every year as a separate exercise to the annual stocktake of assets. Finance would plan and initiate the process and ensure that the results of assessment are appropriately actioned upon approval each year. The user departments and cost centres that control the assets shall be responsible for performing the assessments and advising the reassessed Remaining Useful Lives of affected assets to Finance in a prescribed format and by the due date communicated by Finance each year.

The process for Assessment of Useful Life of Assets is described below –

- 3.7 *Planning and scheduling:* Finance would ensure that the annual assessment of useful life of assets is concluded and results thereof recorded and FAR updated, where required, by the end of January each year. To achieve this Finance may schedule the assessments to occur between November and first week of December each year with the completed returns due back to Finance by the second week of December.
- 3.8 *Assessment memo:* The accountant responsible for fixed assets, in coordination with the Manager Financial Accounting, will prepare the annual assessments memo. The memo would be issued from the office of the Director of Finance or his delegate and addressed to Clinical Program Directors / Divisional Chairs and Service Directors. The memo would advise the schedule of annual

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assessments and where appropriate contain guidance on the process.

- 3.9 *Assessment input.* Depending on the schedule of assessments, the accountant responsible for fixed assets shall compile from the latest Oracle Fixed Assets Register a listing of items of plant and equipment and intangible assets that meet the assessment criteria for each affected cost centre. Using this data the accountant shall populate the template, Assessment & Amendment to Asset Useful Life Template which contains additional columns to capture information about reassessed Remaining Useful Life (RUL) and explanation for the decision to either change or not to change the current RUL. Within ten working days of the issuance of the memo, the accountant shall supply the populated Assessment & Amendment to Asset Useful Life Templates to respective cost centres with clear instructions as to the process of assessment, expected outcome and the due date for submission of completed templates.
- 3.10 *Assessment process:* The assessment would aim to reassess the existing Remaining Useful Life (RUL) of an asset as listed on the Oracle Assets Register and determine a reasonable RUL of the item. In recognition of the lack of technical expertise or limited technical knowledge at the disposal of the user departments to correctly assess the RUL it is expected that the exercise would aim to arrive at the most reasonable estimate of the RUL of an asset by taking into account important factors that impact an asset. Some of these factors are as follows - the current RUL of an item at the time of assessment, its current condition, current and anticipated usage, technical / service support, technological changes, including changes to the IT infrastructure where a piece of medical equipment is dependent on such IT infrastructure, safety and reliability of the item and any other relevant factors that can impact the future use and/or life of the asset. Depending on the number of items requiring assessment, Finance may work closely with the affected cost centres and where necessary participate in the actual assessment process.
- 3.11 *Assessment Returns:* Upon assessment of useful life of the listed assets the returns, i.e. the completed templates signed by the Cost Centre Manager or the Department Head are required to be submitted to Finance for updates to FAR, where requested and for audit review.
- 3.12 *FAR Updates:* Finance would review the completed returns and where the returns suggest changes to the RUL of any assets, calculate impact of the suggested change, fill in other required information and seek approval of the Director of Finance or his delegate. Once approved, the return would be sent off to HealthShare to update the FAR.

6 Related Forms / Templates

[SCHN Fixed Asset Acquisition Advice](#)

[SCHN FA Transfer form](#)

[SCHN Asset Retirement Advice](#)

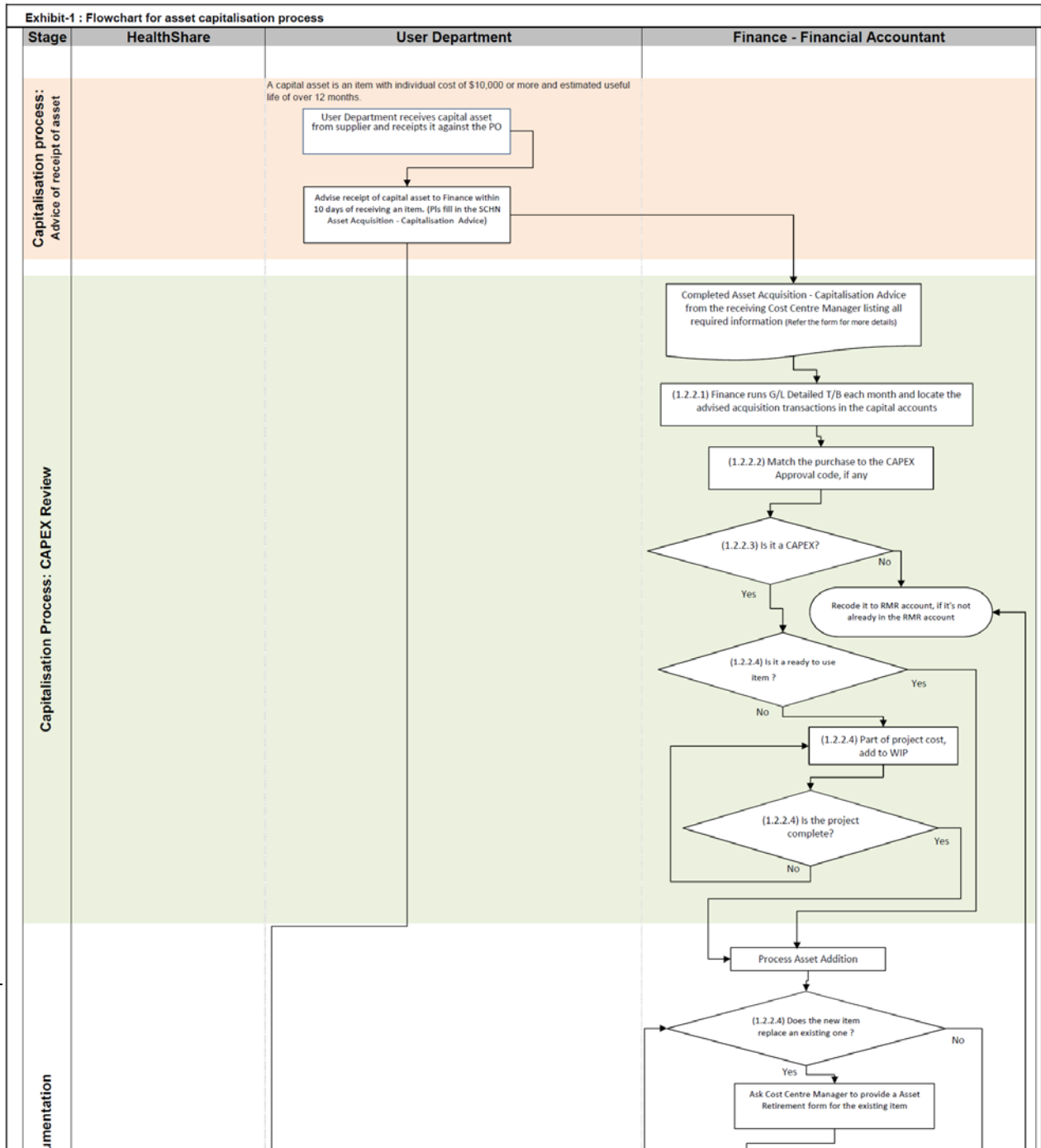
7 Related Documents

- [Fixed Assets Policy](#)
- [PD2014_005 NSW Health Goods and Services Procurement Policy](#)
- [SCHN Delegation Manual](#)

8 Definitions

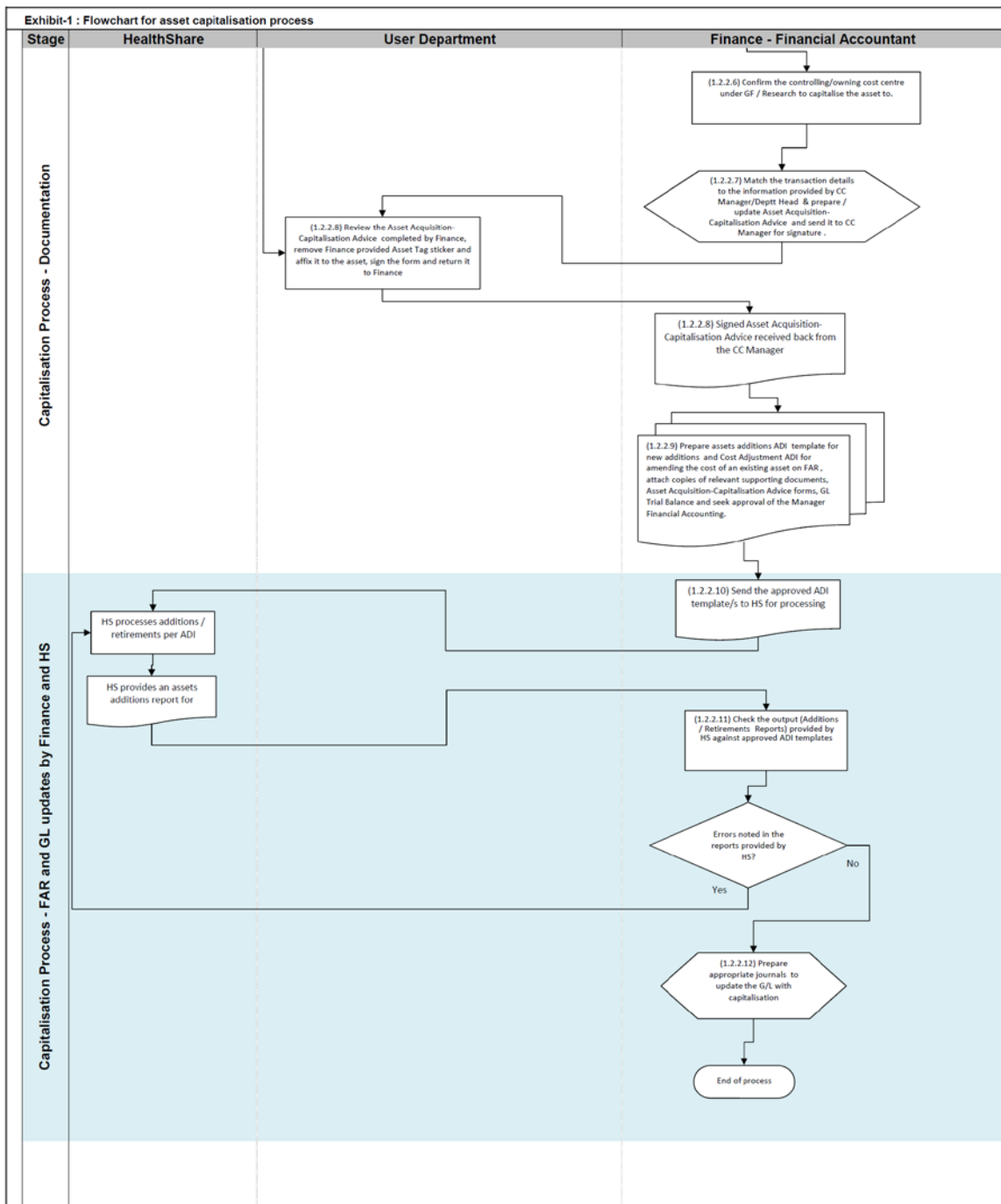
Term	Definition
Asset	Asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity (IASB Framework). It's an item over which the Network has control and that can be used for more than 12 months and is not held for conversion into cash. Mere custody of asset does not necessarily indicate control for the purpose of capitalisation, e.g. a piece of equipment on loan.
Asset disposal	The sale, trade-in, loss, destruction, theft, write-off or transfer to a party outside of the Network.
Attractive item	An asset with useful life of more than one year but costing less than \$10,000 and for which there is a particular need (regulatory, compliance or otherwise), or importance for the budget unit to track the item because the item may be particularly at risk or vulnerable to loss or theft.
Capitalised asset	An item costing \$10,000 or more, which is capitalised and depreciated.
Componentisation	Where individual components of a major physical asset are material these may be recorded in the asset module separately, and depreciated at different rates. This is most likely to apply to large equipment purchases and large computer installations.
Cost	Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.
Fair Value	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Useful Life	Useful life of an asset is: (a) the period over which an asset is expected to be available for use by an entity; or (b) the number of production or similar units expected to be obtained from the asset by an entity

Exhibit 1 – Asset capitalisation process



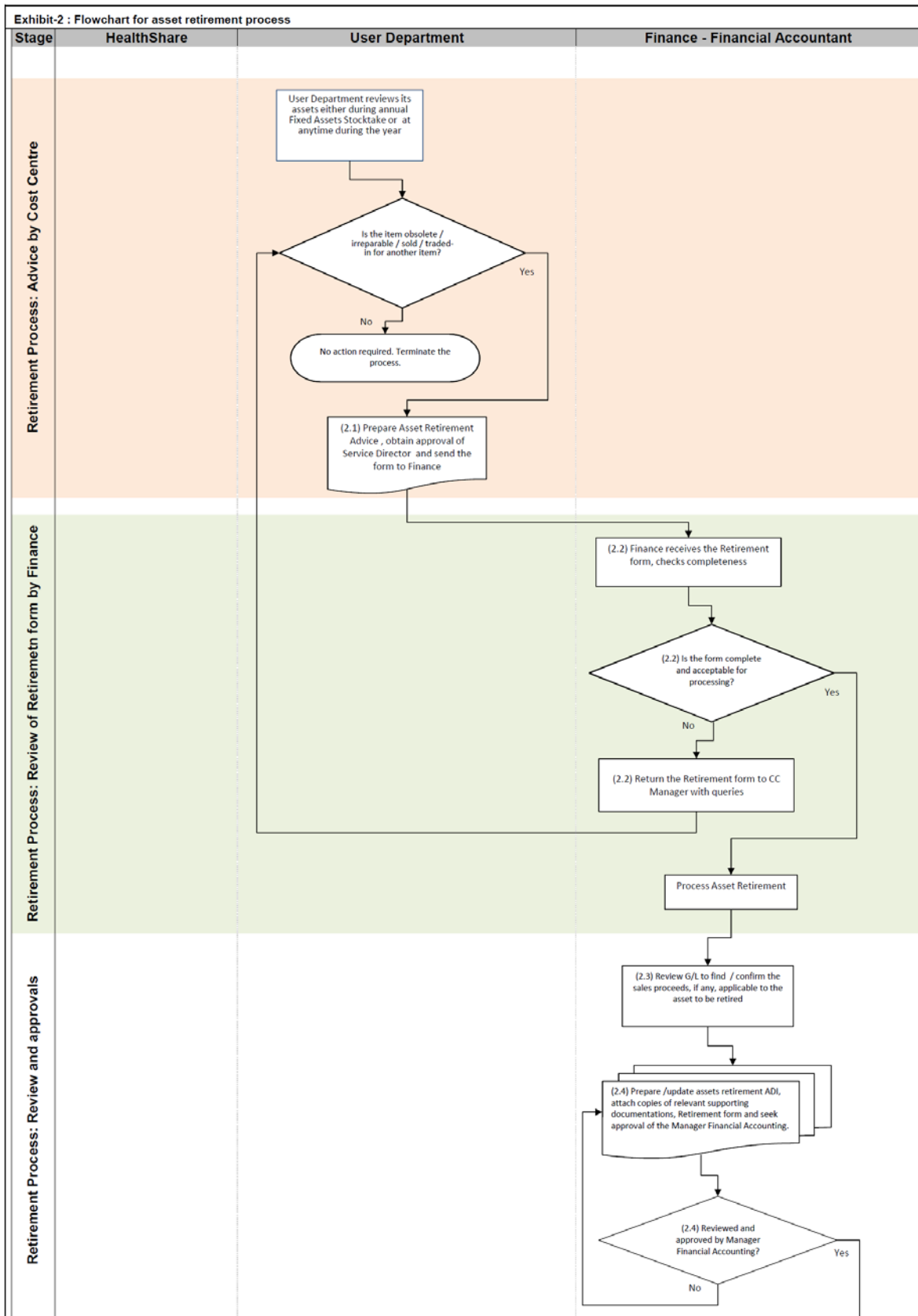
Procedure: Fixed Assets Management

Procedure: Fixed Assets Management

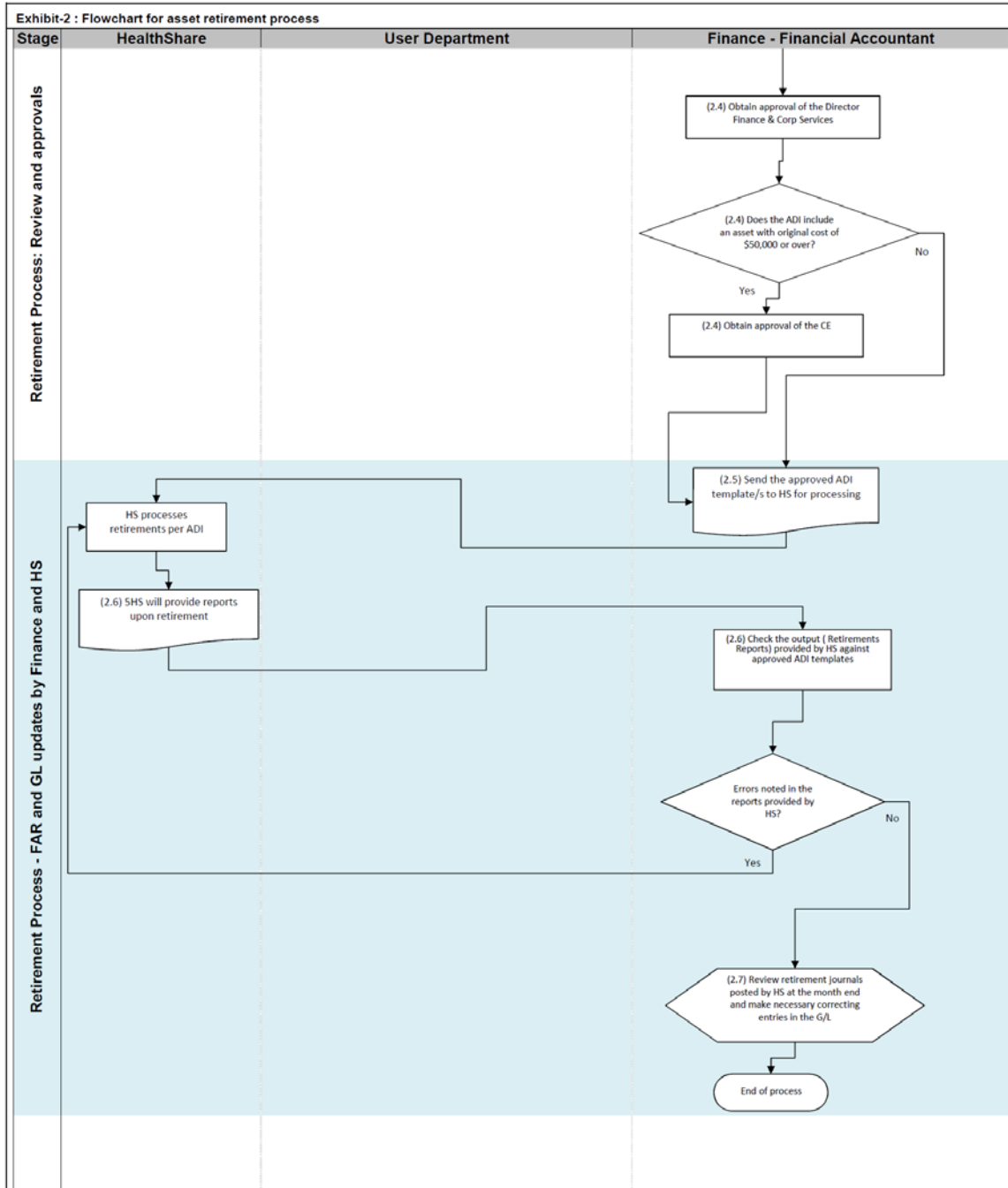


Procedure: Fixed Assets Management

Exhibit 2 – Asset Retirement Process



Procedure: Fixed Assets Management



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