FIXED ASSETS

POLICY©

DOCUMENT SUMMARY/KEY POINTS

- This Policy applies to all the departments within the Sydney Children's Hospitals Network that are in control of or are managing or acquiring or intending to acquire property, plant and equipment.
- The Policy should be read in conjunction with the Asset Management Procedure

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, Procedures and Guidelines Committee	
Date Effective:	1 August, 2016	**Review Period**: 3 years
Team Leader:	Senior Accountant	**Area/Dept**: Finance

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1 Purpose

The purpose of this policy is to guide departments within The Sydney Children's Hospitals Network (Network) to manage their non-current physical assets and where appropriate help with the accounting part of upgrade or enhancement to the facilities in line with technological advancements and area of need approved by the management. This includes acquisitions, transfers, disposals, assessment of useful life, stock take of property, plant and equipment such as land, buildings, medical and non-medical equipment, plant and machinery, information technology assets or fleet vehicles.

2 Definitions

Property, plant and equipment (also referred to as assets)

The Australian Accounting Standard, AASB116 defines Property, plant and equipment as follows:
Property, plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

AASB 116 further 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.

For the purpose of this policy and procedures the following categorization applies.

'Assets' refers to both "capitalised" and "attractive assets" when used without specifically indicating either.

2.1 Capitalised Assets, also called Fixed Assets

Refers to property:

- With a value greater than or equal to the capitalization threshold for the particular classification of the capital asset; and
- Having an estimated useful life of greater than twelve months from the time of acquisition.

2.2 Attractive Assets

Refers to those items with a historical cost of less than the capitalization threshold but having useful life of more than one year 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.

The following is an indicative list of items that are usually considered Attractive Assets:

Overhead projectors

Televisions

DVD players

Audio equipment

Cameras

Hand Tools

Laptops/iPads

Fridges

Microwave ovens

This, however, is not an exhaustive listing. Cost Centre Managers, in addition to using this listing, should use their judgment with regard to adding other items to the listing where accountability for custody and control is required to be managed.

2.3 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 most likely is expected to apply to large equipment purchases and large computer installations where certain components of an asset are expected to have shorter or longer useful lives than other components. Further details will be added to this policy and to the Asset Management Procedure once the NSW Ministry of Health issues relevant guidelines on this matter.

3 Procurement of assets

Goods and services are required to be procured under existing contracts managed within NSW Health or at the Whole of Government level and agreements with the preferred suppliers where such contracts exist, in compliance with the NSW Health Goods and Services Procurement Policy, PD2014_005 and within the financial delegations prescribed in the Network's Delegations Manual.

Procurement of Assets is additionally required to be in accordance with the objectives and strategies laid down in the Network's Asset Strategic Plan.

3.1 Capital Acquisitions

All capital acquisitions are managed and monitored by the Network's Capital Planning and Monitoring Committee (CPMC). The CPMC, as part of its role of managing capital budget and expenditure, approves and allocates funds out of identified funding sources for each capital purchase.

Capital acquisitions are categorized according to the type of capital works and nature of funding sources. The two main categories are Capital Works and Minor Works & Equipment. These are explained below.

Minor Works & Equipment (MW&E): This, formerly known as RMR>$10,000 <$250,000, is funded out of two main sources, Ministry of Health Capital Allocation and local sources, mainly SP&T funds. Ministry of Health Capital Allocation is a fixed amount allocated by the Ministry for a financial year.

Capital Works: This covers acquisitions of assets over $250,000 each and is again divided into two classes, i) funded by the Ministry of Health, known as CAPDOHRS – DOH and ii) funded out of local sources, known as CAPDOHRS – Local or Locally Funded Initiatives (LFI). Each item of capital works has its own budget issued by the Ministry and is also identified with its own unique Project Code for tracking and reporting purposes.

There are specific account codes to record transactions under respective categories. The Network complies with this categorization for accounting and reporting purposes.

It is the responsibility of the manager of a cost centre or of a head of a department, in the absence of Cost Centre Manager, that receives a newly acquired asset, irrespective of whether an asset is purchased or acquired at no cost, or for a nominal cost, to advise Finance Department in no more than ten working days from the date of receipt of an item by email including therein relevant information pertaining to the asset, as described under the Asset Management Procedure and providing it with relevant supporting documentation, including a copy of vendor's invoice to support the cost of an item. Where an item is a product of or a part of an approved capital project the Cost Centre Manager or Department Head shall complete the Asset Addition form once the project is signed off as complete or when the asset created by the project is put into service, whichever happens first.

In case of an asset acquired by a third party and donated to the Network as a donation in kind, the receiving Cost Centre Manager or Department Head must also liaise with the Fundraising Department to facilitate issue of an official donation receipt to the donor. This would, however, require the Cost Centre Manager or Department Head to gather relevant details from the donor or vendor and also liaise with Finance, where necessary, to work out the fair value of the donated asset to support the value of donation.

3.2 Capitalization threshold

The current threshold for the purpose of capitalization is $10,000 or more. This threshold cost has been in force from 1 July 2007. Prior to this the threshold was $5,000 or more. As part of the transition to the new threshold, items that were previously recorded costing less than $10,000 were allowed to remain in the FAR until retirement.

Accordingly, physical non-current assets or parts of an asset costing more than $10,000 individually should be capitalised.

Assets or parts of an asset with acquisition cost less than $10,000 should be charged as an expense in the year of acquisition.

Generally, the costs of assets or parts of an asset that form part of a network (e.g. patient monitoring system) should be aggregated together when applying the capitalisation threshold. For example, although each individual item making up a set of a patient monitoring system may not meet the capitalisation threshold, the total cost of the network could well exceed $10,000 and therefore should be capitalised.

3.3 Tagging of assets

All capitalised assets with the exception of land, buildings, infrastructure and intangibles are required to be appropriately tagged to facilitate identification of assets as belonging to the Network, unless it is impractical to do so. An Asset Tag is provided by the Finance Department upon capitalization of an asset. An Asset Tag is a barcode strip bearing a unique number assigned by Finance to an asset that is required to be affixed to an asset by the Manager of a cost centre that controls the item. To avoid multiple tag numbers, where possible, Finance Department relies on the Asset Tags issued by Biomedical Engineering Department for certain medical equipment that the Biomedical Engineering Department is responsible for managing. Instances where it is considered impractical to affix a Tag are –

- The item has a unique, permanent serial number usable for identification, security, and inventory control (such as vehicle registration numbers);
- The item would lose significant historical or resale value if marked or tagged; or,
- the tagging or marking could negatively impact its warranty

The Procurement Procedure and process for capitalization and maintenance of assets register are detailed in the Asset Management Procedure.

4 Assets Disposal

Disposals of assets must comply with the NSW Health Goods and Services Procurement Policy, PD2014_005. In addition, all disposals of capitalised asset (fixed asset) must be authorized by an officer with appropriate level of delegation under the Network's Delegations Manual. The Network requires that all asset disposals are requested, using the stipulated Asset Retirement form, by respective Cost Centre Controllers and signed off by the Service Director responsible for that cost centre. Finance should then obtain authorization of the Directors of Finance and Corporate Services and where the original cost of an item exceeds $50,000 further approval of the Network's Chief Executive is required.

The procedure for disposal of assets is detailed in the Asset Management Procedure.

5 Asset Transfers

This covers assets transferred from one cost centre to the other within the Network.

The procedure for transfer of assets is detailed in the Asset Management Procedure.

6 Assets Stocktake

The Network, through the asset holding cost centres, must carry out stocktake of all Capitalised Assets and Attractive Assets at least once in each year, as required by the Ministry of Health. This is also an audit requirement each year.

The stocktake process is detailed in the Asset Management Procedure.

7 Revaluation of Property

The Network shall comply with the NSW Ministry of Health policy of full revaluation of properties every three years. The Ministry of Health also requires that for the two years between full revaluations, the Network shall obtain indices confirming the movement in property values after the last revaluation. Application of indices and recording of changes, if any, in the property values shall be subject to the Ministry of Health's advice to be obtained at each such occasion by the Network.

8 Fixed Assets Registers

Capitalised Assets: Oracle Fixed Assets Register (FAR) is the principal assets register for capitalised assets and is maintained by HealthShare. In accordance with the NSW Health assets recording policy only items that are categorized as assets and meet the prevailing capitalization threshold are considered Capitalised Assets and are required to be carried on the FAR at their cost and depreciated over their respective useful life.

Attractive Assets: These types of assets, also called expensed assets, are currently not added to the FAR; instead, individual departments are responsible for recording and maintaining a register at local level with the details of individual Attractive Assets. The local record would be the source of information for annual inventory of the Attractive Assets. The Information Technology (IT) Department and the Biomedical Engineering Department have been authorized to maintain their respective subsidiary FARs to record all information technology assets and medical equipment, for which Biomedical Engineering is responsible, within the Network. These items are required to be recorded on the local FARs irrespective of the cost of an item. In addition, the items that meet the capitalization criteria are also recorded in the principal FAR. All the information pertaining to location of information technology assets and the medical equipment is maintained in the subsidiary FARs maintained by the IT Department and the Biomedical Engineering Department respectively. Both the departments, for the purpose of maintaining the subsidiary FARs, are required to comply with the Fixed Assets Policy and Asset Management Procedure, particularly, in relation to retirement and annual stocktake of assets.

9 References

- Asset Management Procedure
- NSW Health Goods and Services Procurement Policy, PD2014_005: http://www0.health.nsw.gov.au/policies/pd/2014/PD2014_005.html
- Delegations Manual
- http://chw.schn.health.nsw.gov.au/o/documents/policies/policies/2013-9050.pdf