Australian Government

Comcare

ASSET MANAGEMENT POLICY

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PURPOSE

1. The purpose of this document is to detail Comcare's asset management policy in respect of the acquisition, management, disposal and valuation of non-financial assets. Compliance with this policy will ensure that Comcare meets its asset management obligations under relevant legislation.

STATUTORY REQUIREMENTS

2. This policy must be read in conjunction with the Commonwealth Authorities and Companies Act 1997 (CAC Act), applicable Finance Regulation, Finance Minister's Orders (FMOs) and the following Australian Accounting Standards:

   > AASB 116 *Property Plant and Equipment*

   > AASB 136 *Impairment of Assets*

   > AASB 138 *Intangible Assets*

   > AASB 1031 *Materiality*.

ASSET MANAGEMENT RESPONSIBILITIES

Chief Financial Officer

3. The Chief Financial Officer (CFO) is responsible for the overall asset management, ensuring an effective system of accountability and control is in place for the management of Comcare's assets.

Finance

4. Under the direction of the CFO, Finance is responsible for the proper accounting, valuation and reporting of assets in accordance with current accounting standards and FMOs. Finance must ensure that asset management functions carried out by other business areas are in compliance with this policy.

5. Finance must ensure that the project owners properly cost capital projects and are responsible for the registration of the resulting capital assets at the end of each project.

6. Finance coordinates the annual stocktake of capital and portable and attractive assets. They will provide a stocktake plan and instructions to all areas assisting with the stocktake.

Technology

7. Technology is responsible for the purchase, allocation, management, disposal and tracking of all Technology equipment and devices. Technology must ensure that the details of each asset are correctly recorded in the technology and financial systems.

8. At the annual stocktake, Technology will work with Finance in accordance with the stocktake plan and instructions. Technology is responsible for the identification and physical inspection of technology assets. They are also responsible for the assessment of technology assets, including software, for obsolesce, useful life and economic value at the end of each financial year.

Property

9. Property is responsible for the purchase, management, disposal, tracking of furniture, fitting, motor vehicles and non-technology office equipment. Property must ensure that correct details are entered in the financial system.

10. At the annual stocktake, Property will work with Finance in accordance with the stocktake plan and instructions. Property is responsible for the assessment of Property assets for obsolesce, useful life and economic value at the end of each financial year.

Comcare employees

11. All Comcare employees are responsible for the proper operation and safeguarding of both capital and portable and attractive assets they access and use. Refer to relevant Comcare policies for the use of personal digital devices and other Comcare assets.

Misused assets

12. Comcare employees are required to report any suspected improper or negligent use by any person of any Comcare assets to the CFO and Chief Operating Officer who shall decide if further investigation of the alleged misuse is warranted. Reference will be made to the CEO Direction Use of Technology Resources when considering if there has been any misuse of Technology assets.

Assets lost, stolen or destroyed

13. If an employee suspects that an asset has been lost, stolen or destroyed, they must notify Technology (for Technology assets) or Property or Finance, whichever appropriate, as soon as the loss is known or suspected. The responsible area will investigate the matter and notify Finance.

14. If an asset is confirmed as lost, stolen or destroyed, Finance will assist with lodging an insurance claim to Comcover once the authoriser's approval has been received.

15. Where an asset has been lost, stolen or destroyed, the Chief Operating Officer may instigate a further investigation.

16. In the event where assets are suspected to be stolen by an employee, the matter must be referred to the Fraud Officer in the Governance, Audit and Risk branch.

17. Where an employee is found to have contributed to the loss or damage of an asset through negligence or misconduct, the employee may be held liable for the value of the loss or damage.

ASSET DEFINITION

18. There are two types of non-financial assets recorded in the asset register:

    > capital assets

    > portable and attractive assets.

Capital assets

19. To be classified as a capital asset the following criteria must be satisfied:

    > it provides potential services or future economic benefits that directly or indirectly allow Comcare to perform its function

    > Comcare has control over the potential services or future economic benefits of an asset

    > the asset has a useful life of more than one financial year

    > the asset has a cost or other value that can be measured reliably

    > the asset has a cost that is equal to, or exceeds the capital asset threshold.

20. A capital asset can be tangible or intangible. Tangible assets have a physical form, such as office fit out, motor vehicles, hardware and office equipment. Intangible assets are identifiable as non-monetary assets without physical substance, such as computer software (purchased and internally developed software).

21. The capital asset threshold

Asset class	Threshold amount (excl GST)
Computer—desktops and laptops (can be individual or bulk assets)	$0
Individual assets (except software)	$5,000
Software	$30,000
Bulk assets (see below)	$50,000

22. The cost of existing assets that are upgraded or improved to increase the functionality and/or its useful life, can be capitalised and added to the value of the existing asset. This is providing the asset enhancement work has satisfied the above criteria. Examples include renovation of existing office premises and software development to add new functionality to an existing IT application.

23. Comcare's capital assets are classified as:

    > furniture and fitting (including artworks and leasehold improvements)

    > motor vehicle

    > technology hardware

    > office equipment

    > software.

24. Examples of technology hardware assets include desktops, laptops, servers, switches, routers, storage, multifunction devices, printers, video conferencing units and uninterrupted power supplies.

Portable and attractive assets

25. Portable and attractive (P&A) assets are items that have a value less than the Comcare capital asset threshold for individual asset and are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale. Often these items are assigned to employee for use outside the office.

26. Examples of P & A assets include:

    > mobile phones

    > smart device

    > tablet PC's

    > dongles

    > GPS's

    > cameras/video cameras

    > voice/tape recorder

    > tape transcribe

    > portable printers

    > light metres.

Bulk assets

27. Where items with an individual value smaller than the threshold, form part of a 'bulk purchase' of similar items or an integrated set of equipment, the total value of all the items may be recognised as a single capital asset. This is provided the total value exceeds the threshold (for example, office fit out items such as workstations and chairs purchased as part of an overall office fit out project).

28. Where a bulk purchase of items is proposed, the CFO needs to be consulted on whether the items will be treated as a capital asset.

ASSET REGISTER

29. Comcare's financial asset registers are maintained by Finance.

30. Finance maintains two types of asset registers in the Financial Management Information System (FMIS):

    > Capital Asset Register (CAR)

    > Portable and Attractive Asset Register (PAAR)

31. Capital assets are recorded in the CAR. These assets are recorded in the balance sheet and are subject to depreciation and revaluation.

32. P&A assets are recorded in the PAAR. These assets are expensed in the year of purchase and are not subject to depreciation or revaluation. All non-technology P&A assets are recorded in FMIS.

33. Technology P&A assets are recorded in the Technology Asset Register. This register also records and tracks some technology capital assets, for example, individual details of bulk assets recorded in CAR. The Technology Asset Register must be kept current in conjunction with the monthly asset transactions and movements, including asset details that can be extracted for stocktake.

ASSET ACQUISITION

34. If you need to purchase a capital asset, you must comply with Comcare's procurement policy, financial authorisation requirements and approval process for project funding.

35. Purchase of technology assets is centrally managed by Technology. Based on our business needs, Technology may acquire a stock of technology assets for issuing to users in the future. Requests for technology assets must be directed to Technology.

36. Similarly, acquisition of furniture and fitting items, motor vehicles and non-technology office equipment are centrally managed by Property.

37. If you acquire a capital asset, you must confirm receipt of goods in good working order before payment is made by Finance.

38. For purchase of all other assets, you must consult with Finance.

Asset valuation at recognition

39. According to AASB 116.16, an asset is initially recognised at 'cost of acquisition' which includes:
    > purchase price
    > cost directly attributable in bringing the asset to a location and condition ready for use
    > initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located where there is a present obligation to do so (e.g. office fit out make good).

40. 'Directly attributable' costs are costs that, if not incurred, would result in the asset not being able to be used and therefore not being able to provide future economic benefits to the entity. Examples of 'directly attributable' costs are (AASB 116.17):
    > costs of employee directly related to the construction or acquisition
    > cost of site preparation
    > initial delivery and handling costs of materials for the capital works project
    > installation and assembly costs
    > costs of testing that the asset is functioning properly
    > professional fees.

41. Assets acquired at no cost, or for nominal consideration are to be valued at its fair value at the date of acquisition. (AASB 116.15).

42. If asset costs have been expensed they cannot subsequently be capitalised in future years.

WORK IN PROGRESS

43. Directly attributable costs during the development stage of a capital project are to be recorded as work in progress until the project is completed and the resulting asset is registered in the CAR.

44. All physical assets purchased as part of a project must be separately identified (by the use of barcodes) where possible, to assist with stocktaking, asset valuations and asset replacement.

45. Once a project is completed and the asset is ready for use, the project manager must notify Finance and confirm the commission date of the asset.

46. For projects involving the development of software applications, the project may be organised into a number of discrete phases. Each phase can be separately commissioned in the register based on its 'go-live date'.

Leasehold improvements

47. Comcare recognise office fit outs as leasehold improvements. Guidance on the treatment of capital and operating expense is enclosed in Attachment C.

48. Minor changes to an existing fit out are expensed as ongoing maintenance costs as they incur.

49. Major reconfiguration and refurbishment of our current premises will be capitalised as addition to the existing asset. The carrying amount of the original fit out is to be reviewed. The value of any part of the original fit out which has been replaced will be written off.

50. Where an obligation to restore the premises to its original state arises, at the time the fitout is acquired, the cost of the leasehold improvement shall include the estimated cost of the obligation to restore (that is, make good).

Software

Purchased software

51. Purchased software cost includes purchase price and any directly attributable costs (AASB 138).

52. The table below provides guidance on the accounting treatment for purchased software.

Item	Activity/Cost description	Accounting treatment
Externally purchased off-the shelf software	> Purchased software	Capitalised
	> Initial lump sum payment for a licence	Capitalised
	> Software installation costs	Capitalised
	> Training costs	Expensed
	> Maintenance fees	Expensed
	> Annual licence fee	Expensed
	> Evaluation and assessment costs	Expensed

Internal developed software

53. Internal developed software is software developed by Comcare, or software that is purchased but is significantly modified for internal use.

54. Internally developed software is recognised as an asset where the total cost of the development is equal to or greater than the relevant capital asset threshold.

55. According to AASB 138 *Intangible Assets,* internal developed software projects are typically conducted in two stages: the research stage and the development stage.

56. The research stage includes activities aimed at obtaining knowledge, evaluating alternatives and making selection decisions. No intangible asset shall arise from the research stage. All expenditure during this stage is expensed when it is incurred.

57. The development stage includes activities that relate to design, construction and testing prior to the asset being available for use. Costs incurred during this stage are capitalised if they are directly attributable to the creation, production, and preparation of the asset for its intended use. Otherwise the costs are expensed.

58. In addition to the recognition criteria stated above, AASB 138 imposes further criteria for recognition of internally developed software. The additional criteria helps to assure that we have the intention, and the technical and financial capacities to complete and use the internal developed software. The standard also requires we have a robust costing system to allow for the reliable measurement of expenditure attributable to the cost of the software being developed.

59. Guidelines for the treatment of capital and operating expenses for internally developed software projects are provided in Attachment D.

DISPOSALS AND WRITE-OFFS

60. Disposal of assets may arise for a number of reasons.

    > Rendered obsolete by changes in technology or legislative requirement

    > Surplus to requirements due to changes in business processes, functions or usage patterns

    > No longer fulfilling the purpose for which it was acquired

    > No further service potential

    > Reached an optimal trade-in value

    > On-going service costs are more expensive than the replacement cost

    > Unrepairable damage

61. Write-off usually arises when an asset is no longer available for use. This can happen when an asset is lost, stolen, destroyed or has reached the end of its natural useful life.

62. Software applications, which are no longer in use, or replaced by new applications, will be written-off. Where a software application has been enhanced and a portion of the original software has been replaced, the value of the replaced portion will be written-off.

63. Prior to disposal or write-off, the Asset Disposal Request Form (Attachment B) must be completed and approved in accordance with the Comcare Financial Authorisations (Schedule 2). A copy of the form must be forwarded to Finance.

64. The authorised delegates for disposal or write-offs for Comcare assets are the Chief Operating Officer, the CFO, the Chief Information Officer (for technology assets) and the Director of Property (for non-technology assets).

65. The options for the disposal of an asset are as follows:

    > sale—this can take the form of public auction, tender or quotation

    > trade-in—where an asset is used to reduce the cost of a replacement asset

    > scrapping.

66. When an asset is either sold or traded-in, the area handling the disposal is responsible for ensuring that a reasonable financial outcome for Comcare is achieved, the transaction is at arm’s length and the sale price is reflective of prevailing secondary market prices. In determining a reasonable financial outcome, reference should be made to the written down value of the asset as recorded in the FMIS asset register.

67. Before disposal, the barcode should be removed from the asset. All technology assets must be returned to Technology for proper disposal and sanitised in accordance with Technology Asset Management Policy, Technology Portable Device Policy and Comcare's Security Policy. All Property assets must be returned to Property for proper disposal.

DEPRECIATION AND AMORTISATION

68. Depreciation and amortisation are calculated on a straight-line basis over the estimated useful life of an asset. When estimating an asset's useful life, consideration should be given to the expected physical wear and tear, obsolescence and legal or other limits on the use of the asset.

69. The estimated useful life for each class of depreciable assets has been determined as followed:

Asset class	Useful life
Leasehold improvements	Lease term
Motor vehicles	2-5 years
Hardware	2-10 years
Office equipment	5 years
Software	3-10 years
Artwork	50 years

70. If an asset's estimated useful life falls outside the above range, a different useful life can be used with approval of the CFO.

71. As part of the annual stocktake, Finance will review the expected useful life, residual value and current carrying value of all Comcare assets. Such review will also be conducted when changes to the asset occur, for example, enhancement, partial write-off and impairment.

ASSET REPORTING AND RECORD KEEPING

72. Comcare use barcodes to identify tangible capital and P&A assets. All new assets should be given a barcode sticker upon receipt by the responsible business area. The barcode should be removed before an asset is disposed.

73. Finance is responsible for the maintenance of the financial assets registers and the proper accounting of all asset movements and work in progress. Technology, Property and other business areas must ensure that Finance is notified of all acquisitions, disposals and movements initiated or managed by their area by the end of each month. This can be done by forwarding Finance a copy of all Asset Acquisition Forms (Attachment A) and Asset Disposal Forms (Attachment B).

74. Records in the asset registers will be verified by the results of the annual physical stocktake. The responsible employee and/or business areas will be required to account for any discrepancies uncovered in the process (see the asset stocktake section below).

ASSET REVALUATION

Tangible assets

75. In accordance with AASB 116 Property Plant and Equipment and FMO's, it is Comcare's policy to measure assets, subsequent to initial recognition at fair value appropriate for asset class as follows:

Asset class	Fair value measured at
Office machines and equipment	Market selling price
Leasehold improvements	Depreciated replacement cost
Motor vehicles	Market selling price

76. For tangible asset, Comcare must review the carrying amount of each of these assets every year to ensure that the value does not differ materially from its fair value. If there is a material difference between the carrying amount and the fair value then revaluation of the entire class is required.

77. Independent asset valuation shall be conducted by an independent qualified valuer. This should happen at least every three years for all tangible assets. The results of the independent valuation will be updated in the capital asset register.

Intangible assets

78. Comcare do not revalue its intangible assets, that is, purchased and internally developed software. These assets are valued at cost due to the absence of an active market.

Asset impairment

79. AASB 136 *Impairment of Assets* requires an entity to assess at the end of each financial year whether there is any indication that an asset may be impaired.

80. In assessing an asset impairment, the following indicators may be considered:
    - during the period, an asset's market value has declined significantly
    - evidence of obsolescence or physical damage of an asset
    - evidence the useful life of an asset has changed
    - evidence indicates that the economic performance of an asset is worse than expected
    - asset is being used for different purpose than originally intended.

81. All software, including software under construction, is required to be annually assessed for impairment by the Chief Information Officer and the assessment results provided to Finance.

82. When there is an indication that an asset may be impaired, the asset's recoverable amount must be assessed. An asset's recoverable amount is the higher of its 'value in use' and 'fair value less cost to sell'. In Comcare case 'value in use' is defined as depreciated replacement cost where applicable. 'Fair value less cost to sell' is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

83. Where the recoverable amount is less than the carrying amount, the carrying amount must be reduced to reflect the recoverable value of the asset. The reduction in value will first be offset against any accumulated revaluation surplus for the class of asset to which the impaired asset belongs. Any remaining value will be reported as impairment loss.

84. It is Comcare's policy that when an asset is revalued, the accumulated depreciation is eliminated against its gross carrying amount. The resulting amount is then restated to the revalued amount.

P&A ASSET MOVEMENT

85. Movements of P&A assets between users and/or locations within Comcare should be recorded in the Technology and the PAAR registers as soon as they occur. Technology must ensure that Technology assets and Technology P&A records are promptly updated after any movements as users are accountable for the items assigned to them.

ASSET STOCKTAKE

86. The stocktake is physical sighting of assets to verify that the asset still exists and is correctly recorded in the Asset Register. The physical sighting includes inspection for any indication of impairment.

87. The stocktake is a part of the financial year end process and must be completed before year end. It is conducted annually for both capital and P&A assets by two employees. For example, one from Finance and one from the business area concerned.

88. As part of the annual review of asset valuation, all tangible and intangible assets are assessed for impairment, obsolesce, useful life and economic value. Any identified reduction in value of an asset will be reflected in the result of the stocktake.

89. At the end of the annual stocktake, the results are reconciled with the asset register and any discrepancies are investigated and verified with the responsible section. The Finance section prepares a summary report to the CFO for approval on the overall stocktake results. The approved results will be updated in the asset registers and properly accounted for in the financial ledger.

FURTHER INFORMATION

90. Any queries relating to this policy should be referred to Finance.

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ATTACHMENT A

ASSET ACQUISITION FORM

Asset register	Description	Make	Model	Serial number	Cost centre	Supplier name	Purchase order number	Invoice number	Invoice date	Commission date	Warranty expriy date	Barcode	Cost (exclude GST)	Location	Area	Custodian	Classification	Comments

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ASSET DISPOSAL FORM

This form must be completed and approved prior to disposal of Comcare capital and portable and attractive assets.

Barcode	Description	Make	Model	Serial number	Location (office building and floor)	Reason for disposal	Method of disposal (e.g. sale, trade-in, write-off)	Disposal details (e.g. name of auctioner)	Proceed

Prepared by

Name	
Signature	
Date	

Disposal approved by

Name	
Signature	
Date	

Asset system update	

Copy of completed form to be sent to the Finance Section.

GUIDANCE—CAPITALISATION OF LEASEHOLD IMPROVEMENTS

Stage	Activity/Cost description	Accounting treatment
Research stage	> Project concept development > Feasibility study > Forward design proposal and cost benefit analysis	Expensed Expensed Expensed
Design stage	> Forward design (produces the required design documents)—including procurement costs, architectural/design consultant costs, quantity surveyor costs, specialist consultant costs and travel costs > Business case proposal for construction funding	Capitalised Capitalised
Construction stage	> Tender for construction > Construction costs > Purchase and installation of fit-out	Capitalised Capitalised Capitalised
Post-construction stage	> Post-construction relocation into completed building > Ongoing repair and maintenance	Expensed Expensed
Whole of project costs	> Project management and consultant cost directly attribute to the design/construction stage of fitout > Training costs > Project governance committees	Capitalised Expensed Expensed

GUIDANCE—CAPITALISATION OF INTERNALLY DEVELOPED SOFTWARE

Stage	Activity/Cost description	Accounting treatment
Research stage	> Project scoping > Conceptual formulation of alternatives > Evaluation of alternatives > Determination of the existence of the necessary technology > Selection of alternatives > Business case proposal and planning for the project	Expensed
Development stage	> Detailed analysis of user requirements > Detailed design and specification > Software development configuration and interfaces > Coding > Installation and implementation of software > Testing including parallel processing (to the point where the system is live at the first site only if implementation at subsequent sites does not enhance the software functionality) > The cost of data migration but only for test data used for system testing > Software licences acquired to be configured or specifically to develop the software > Directly attributable project management and consultant cost > Directly attributable travel cost	Capitalised
	> Project governance and stakeholder meetings > Data conversion from old systems into the new system (outside of system testing) > Training and developing user manuals > Post implementation review > Ongoing support and system administration > Applications maintenance, including maintenance for software licences which includes provision for delivery of software upgrades > Ongoing programming support to correct defects or cater for changes in legislation or modified business rules that do not constitute a significant enhancement to the software	Expensed