

3.4.9 Physical and Intangible Assets

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Background

Section 44B(1) of the FMA requires Public Sector Agencies to maintain a register of assets held or managed by it. Section 44B(2) provides that the register is to be in the form, and contain the information determined by the Minister for Finance after consultation with the Victorian Managed Insurance Authority (VMIA).

Direction

Public Sector Agencies must implement and maintain an effective internal control framework for asset management to ensure that assets are identified, recorded accurately and accounted for in accordance with Australian Accounting Standards.

Procedure

- (a.) Policy and procedures for asset identification, recording and management must be established and maintained.

see Guideline 1 below

- (b.) Depreciation and amortisation must be calculated in accordance with relevant accounting standards and taxation requirements.

see Guideline 2 below

- (c.) Assets must be kept in secure custody and used for authorised purposes only.

- (d.) Proper authority in the form of financial delegations or specific authorisation must be obtained before acquiring, transferring or disposing of an asset.

- (e.) Proper policies and procedures must be documented for the revaluation of assets including appropriate approvals for changes to asset values in accordance with financial delegations.

- (f.) Records and details must be maintained in relation to contingent assets as required for Public Sector Agency needs, and to satisfy accounting standards and disclosure requirements.

- (g.) Records and details for intangible assets must be sufficient to ensure compliance with accounting standards and disclosure requirements, in addition to any operational needs of the business.

Guidelines

Guideline 1

The policies and procedures for asset identification, recording and management should incorporate the following:

- Recognition of assets upon receipt or commissioning;
- Verification of the physical existence, location and condition of assets and inventories on a regular basis and requirements for the asset register to be reconciled against the records of the Public Sector Agency. This should be conducted by someone other than to whom the asset has been assigned;
- Complete and accurate records of inspections made with respect to maintenance needs and actions taken should be maintained; and
- The creation or purchase of an asset requires standard expenditure procedures to be followed. Financial delegations of authority should specify those officers able to authorise the transfer or disposal of an asset.

Guideline 2

- The Public Sector Agency should have its depreciation policies and rates clearly articulated in the relevant internal documentation, such as an accounting policy document.
- The allocation of depreciation expense to outputs should be recorded.