

## Overview

The policy and procedure guidelines is designed to give all staff the information for the recognition and management of non-current physical assets. The information provided will define assets and inventory items and detail the procedures for their management.

The references for the information contained in this document are:

- Accrual Accounting Manual 1994
- Asset Management Principles 1994
- Recognition and Valuation of Non-current Physical Assets 1995
- Statement of Accounting Concepts 4 – Definition and Recognition of the Elements of Financial Statements 1992
- Financial Management Act 1994
- Australian Accounting Standards in particular AAS29
- School Policy and Advisory Guide

All are available from the DTF and DET intranet websites.

## Assets

The official definition of an asset is “Assets represent service potential or future economic benefits controlled by the entity (government department) as a result of past transactions or other past events”.

This definition assumes that

1. the asset will in fact generate a positive contribution for the entity – i.e. the service potential will be realised
2. the asset possesses a value that can be measured reliably
3. the estimated value is above the minimum amount specified in a recognition threshold.

Non-current physical assets are assets that are tangible – i.e. they have a physical nature and a useful life beyond the current accounting period, typically one year.

Non-current physical assets differ from inventory items by virtue of the fact that inventory items are ‘consumable’ (used up, expended, have a limited life, are on sold), or under the recognition threshold for the category.

The term ‘service potential’ means essentially the usefulness of a resource to an entity in achieving the entity’s objectives. It represents the benefit to an entity from utilising a resource. Assets provide the means to meet departmental objectives.

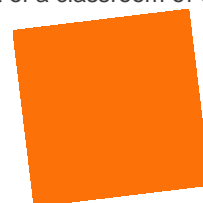
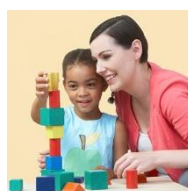
The definition of the asset also includes the term “controlled”. Control of an asset is usually evidenced by an entity’s:

- ability to use the asset to achieve its objectives
- ability to restrict or change access to the asset
- ability to surrender the asset to another entity
- ability to dispose of the asset
- obligation to bear the risks associated with holding the asset

The key question for determining control is: does the entity have the authority to decide if and how the asset will be used?

The ‘recognition threshold’ is the minimum dollar value of an item as determined under the Financial Management Act 1994 Part 5. The general threshold is set at \$5000. Any items acquired that are under this threshold should be tracked using the asset categories for items less than \$5000.

Assets are usually single items valued over the recognition threshold, but for the initial fit out of a classroom or special purpose room the furniture may be aggregated and entered as one asset.



## Inventory

Inventory may be divided into two types – trade (canteen stock, school uniforms, stationery, books and office equipment such as calculators that are sold to pupils and staff) and consumable items used in the day-to-day running of the school. They are items you need to monitor and manage for the efficient running of the school and for insurance purposes. Inventory items need to be recorded separately and are not recorded on the asset register.

## Asset Management Procedures

The procedures for the acquisition and management of assets over \$5000 and items under \$5000 are divided into seven sub-categories. The sub-categories are:

- Acquisition Procedures
- Items under \$5000
- Asset Registers
- Asset Disposal Procedures
- Asset Identification
- Stocktakes
- Discrepancies in Stocktakes or Loss of Assets

## Acquisition Procedures

Goods should be purchased in accordance with the policy outlined in the School Policy and Advisory Guide – Purchasing.. Depending on the value of the goods involved, oral or written quotations or tenders are required when acquisitions are being made. The purchasing thresholds and the required documentation can be located in the Finance Manual for Victorian Government Schools section 3.8.1 Purchasing Thresholds.

The quotations, including a record of any verbal quotations received, and tender documents are to be attached and filed with the purchase documentation.

## Items less than \$5000

Whilst the recognition threshold for assets is set at \$5000 schools have indicated a requirement to track items under \$5000. We have created categories starting with the prefix 'AA' to allow schools to record items under the threshold.

The items are purchased as per the purchasing guidelines and when the invoice is paid they are charged to the appropriate expense account. When the items are entered into the asset register use the purchase cost. The items are expensed, cannot be capitalised and are not subject to depreciation. The items will not be transferred to Oracle Fixed Assets (DET Financial System).

## Asset Register

Schools need to record all assets with a value of \$5000 or more in an asset register. The asset register module of CASES21 Finance is to be used to record each accountable asset in the school.

Assets must be added to the CASES21 asset register within 30 days of acquisition. The data entered into the CASES21 asset register will be transferred to the Oracle Fixed Assets for management and statutory reporting.

To successfully manage and account for each asset certain details are required. Each asset must have the following information for the asset to be successfully transferred to Oracle Fixed Assets:

- Asset description
- Asset category
- Asset quantity
- Location
- Date of acquisition
- Purchase cost

Additional information that is not mandatory but will help with the identification of the asset includes:

- Asset type
- Serial number
- Make / Manufacturer
- Model

### **Asset Description:**

The asset description must be meaningful. The description should allow anyone undertaking a stocktake to identify the item.

### **Asset Category**

The asset category is selected from the list of approved categories.

**Location:**

The interface between CASES21 and Oracle Fixed Assets will use the school number and campus number from the header record as the location.

**Date of Acquisition**

When the assets are added to Oracle Fixed Assets a date placed in service is one of the mandatory fields. Usually the date placed in service is taken as the receipt date for the item. Technically, the goods remain the property of the supplier until such time as payment is received by the supplier. As CASES21 asset register does not have a field for the receipt date we use the purchase date as the date placed in service, or date of acquisition.

**Purchase Cost**

The purchase cost is the cost of the asset as shown on the purchase order / invoice and is exclusive of GST. The cost of the asset must include any freight charged for the delivery of the asset, and any installation charges.

**Asset Type**

This field is used to distinguish school owned assets from community based assets. The code is selected from a list. This information is required by the schools but will only be used for reporting purposes by Oracle Fixed Assets.

**Serial Number**

This data is used to distinguish like items.

**Make / Manufacturer**

Like the serial number and model this field is used to store information that will distinguish like items.

**Model**

As with serial number and manufacturer the model allows for easier identification of an asset.

## Special Classes of Assets – Books

The recording of books that are stored as either class sets or as a library are subject to different rules. Library assets have a threshold of \$10,000 and are an aggregated asset. For more information refer to the Asset Explanatory Notes in the CASES21 Business Process Guide Section 4 - Assets.

## Leased Equipment

CASES21 Finance and Oracle Assets have the capacity to track leased assets. The additional information required to record leased assets is:

- Lease start date
- Lease end date
- Monthly lease cost
- Lessor

Leases fall into two types

- Operating lease
- Operating Lease – DET

The first type is used to record operating leases entered into by the school. The usual types of equipment leased would be photocopiers, motor vehicles or canteen equipment

The second type is used to record equipment from operating leases organised by DET Corporate. An example would be the CASES computers.

The purchase cost of the asset should be recorded as \$0.00. The monthly lease payments should be coded to

- 86403          Leased / Hired Equipment
- 86702          Motor Vehicles – Lease / Rental

At the end of the lease the items would be returned to the lessor in accordance with the terms of the operating lease. At this time the asset would be released from the asset register.

If the school then purchased the item from the lessor, and the cost of the item was less than \$5000, the item would be created as a new asset with an 'AA' category.

## Asset Disposal

The term used in CASES21 to dispose of an asset that is no longer required is 'release'.

An asset that is surplus to requirements, unserviceable, obsolete, transferred, retired or lost is released from the asset register.

In accordance with the School Policy and Advisory Guide – Asset recording and Control. A board of survey is to be constituted to:

- identify obsolete or unserviceable assets and
- recommend to the school council a course of action for the disposal of the asset.

If the asset is to be sold, then the proceeds of the sale must be recorded in the asset register along with the release date and release type.

If, for some reason, an asset has been wrongly released it is possible to reinstate the asset. Use the Asset Reclaim program in CASES21 to facilitate the reinstatement.

When the file is transferred from CASES21 to Oracle Fixed Assets the amendment will cause the asset to be reinstated in the appropriate book in the Oracle asset register.

The valid release codes are:

Asset Release Types	
0	Not Released
1	Sold
2	Expired Lease
3	Traded
4	Auctioned
5	Salvage or Scrap
6	Board of Survey
7	Incorrect/Duplicate Entry
8	Lost or Stolen
9	Transfer
99	Partial Release

## Asset Identification

The Finance Manual for Victorian Government Schools - Section 5 Asset Management 5.3 Identification of assets recommends that schools consider options for permanently identifying portable and valuable assets belonging to the school. Leased equipment should be excluded.

The guide suggests engraving the school name and equipment number on assets wherever practical. For delicate items that can't be engraved the guide recommended marking the asset with an ultraviolet pen. These are not the only methods of 'tagging' the assets. Schools may like to consider bar coding the assets.

Each asset should have a unique identifying number. Schools are allocated an equipment number when the assets are created on the CASES21 asset register. A report of all assets is available from CASES21. This report can be used to identify individual items.

### **Recording library books, textbooks and other non-accountable items**

For the purpose of recording library books, class sets of textbooks and other library materials please follow the guidelines in the Finance Manual for Victorian Government Schools section 5 Asset Management.

## Stocktakes

A stocktake of all accountable assets must be conducted at least once every two years. The document 'Standing Directions of the Minister of Finance under the Financial Management Act 1994' specifies in the guideline to section 3.4.9 Physical and Intangible Assets that 'Verification of the physical existence, location and condition of assets and inventories on a regular basis'

This would indicate that rolling stocktakes of assets would be acceptable providing that all assets are verified at least once every two years. The guidelines also state that the verification 'should be conducted by someone other than to whom the asset has been assigned'.

Schools could choose to conduct the stocktake (verification) by some of the following means

- Certain asset categories or groups of asset each month or in particular months
- During each term
- During school holiday periods

For attractive items or shared items (e.g. cameras) it would be prudent to sight these items at least once a term.

When carrying out stocktakes or asset verifications, regardless of the method used, the following procedures must be observed:

- The principal should nominate the date or period of time for the stocktake to occur.
- A stocktaking officer should be appointed by the principal to conduct and supervise the stocktake.
- Stocktake sheets listing all assets held by the school, by name, should be prepared from the asset register.
- The stocktake sheets should list the serial numbers or other unique identifying reference against each asset to assist with asset recognition.
- On the appointed date, the areas designated for the stocktake should be systematically checked for assets listed on the appropriate stocktake sheet by the stocktake officer and one other person. The quantity of each item must be recorded on the stocktake sheet. The serial numbers or unique identifiers should also be confirmed on the stocktake sheet.
- Items encountered that match the definition of an asset that are not on the stocktake sheet should be recorded on the stocktake sheet for checking on the asset register.
- On completion of the physical check of each stocktake sheet the stocktake officer must reconcile the count on the stocktake sheet against the records on the asset register.
- Where discrepancies are disclosed the items involved are subject to a recount.
- All stocktake sheets must be signed by the officers who conducted the count, and all discrepancies advised to the principal in writing.

## Discrepancies in Stocktakes or Loss of Assets

When a stocktake reveals a substantial discrepancy (for example items of equipment / furniture located that are not in the register and / or loss of equipment / furniture recorded on the register), the following action should be taken:

- In the case of items not being recorded in the register, the matter must be drawn to the attention of the principal.
- In the case of loss of equipment, an officer is to be appointed by the principal to conduct an investigation. The principal should be provided with a written report of the discrepancies stating what action has been taken to locate the missing items.
- The principal recommends to the school council the appropriate action that should be taken in light of the findings of the investigation. "Should theft or malpractice be suspected, the matter must be reported in accordance with **Part 10.1.2(ix) of the Directions of the Minister of Finance under the Financial Management Act 1994**. This regulation requires that all cases of suspected or actual theft, wilful damage, arson, irregularity or fraud in receipt or disposal of money or other property of any kind, are to be reported to the Treasurer and Auditor General"