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SA Health

Policy

Property, Plant and Equipment Accounting Policy

Version 2.0

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Government
of South Australia

SA Health

1. Name of Policy

Property, Plant and Equipment Accounting Policy.

2. Policy statement

This policy prescribes the identification, assessment, management, and accounting treatment of SA Health's property, plant and equipment assets throughout the entire asset life cycle, from financial planning to retirement.

3. Applicability

This policy applies to all employees and contracted staff of SA Health; that is all employees and contracted staff of the Department for Health and Wellbeing, Local Health Networks (including state-wide services aligned with those Networks¹) and SA Ambulance Service.

Specific finance responsibilities are outlined in the Mandatory Instructions.

In this document any reference to 'SA Health' includes Attached Offices to the extent that they continue to exist and adopt this policy.

4. Policy principles

SA Health's approach to accounting for property, plant and equipment is underpinned by the following principles:

- > We comply with all pertinent legislative and regulatory requirements, such as Treasurer's Instructions, including Accounting Policy Statements, and Australian Accounting Standards and other regulatory requirements.
- > We ensure asset acquisition and capital projects are appropriately authorised, managed and operated within their budget, resulting in no overspend.
- > We ensure asset retirements, disposals, write offs, adjustments and de-recognitions are complete, accurate and approved in accordance with established authorisations.
- > We maintain consistency with the SA Health current asset management plan and strategic priority, comply with applicable SA Health disposal requirements and monitor against approved SA Health budgets.
- > We ensure right-of-use lease assets must be registered on the Oracle Corporate Systems Fixed Assets Register (Oracle FAR) and recognised in the Statement of Financial Position.
- > We capture and record all recognised assets in the Oracle FAR and ensure they are accurately recognised in the Statement of Financial Position.

¹ 'Statewide services' includes Statewide Clinical Support Services, Prison Health, SA Dental Service, BreastScreen SA and any other state-wide services that fall under the governance of the Local Health Networks

5. Policy requirements

All employees and contractors must adhere to the following policy statements:

5.1 Capital projects

- > Prior to asset acquisition or capital project commencement, appropriate documented authority must be obtained, including where applicable, an Investing Expenditure Authority (IEA).
- > For capital expenditure/requests, where approval to proceed is declined, costs incurred up to that point must be expensed at the business unit level.
- > A capital project must operate within its IEA and budget, resulting in no overspend.
- > Before a capital project can be closed, all contractual obligations must be fulfilled, and all committed expenditure must be charged against the project.

5.2 Asset recognition

- > All fixed assets controlled by the business unit must be recorded in the Oracle FAR, where the proper classification of an asset must occur – ie. it is either expensed or capitalised.
- > The total cost of an item must include its purchase price or direct construction costs, plus any other additional costs that are directly attributable in bringing the asset to a location and condition ready for use as management intended.
- > Tangible assets acquired at nil or nominal consideration, or where the business unit pays significantly less than its fair value to further their objectives, must be recognised at fair value.
- > Land and buildings must be recognised when they are acquired.
- > All plant and equipment must be recognised initially at cost.
- > Intangible assets shall be measured initially at cost.

5.3 Capitalisation

- > SA Health has adopted a capitalisation threshold of \$10,000 (exclusive GST). Items with a fair value at the time of acquisition, greater than or equal to \$10,000 (exclusive GST), and that satisfy the definition and recognition criteria of an asset must be capitalised.
- > Items less than \$10,000 (exclusive GST) are expensed in the period of acquisition.

5.4 Depreciation and amortisation

- > SA Health must use the straight-line method of depreciation and amortisation.
- > Depreciation and amortisation will be recognised from the time an asset is first put into use or held ready for use and must be applied to those assets that can be capitalised.

5.5 Stocktake and impairment

- > Business units must ensure all their assets are safeguarded and secured appropriately, in accordance with local site instructions.
- > All assets must have a unique asset identification number.
- > All fixed assets must be tested for any indication of impairment at least annually.

5.6 Valuation and revaluation

- > An independent valuation appraisal, undertaken by a professionally qualified valuer, must be conducted on a regular cycle in accordance with Treasurer's Instructions (*Accounting Policy Statement 116.E*).
- > Where an asset is to be revalued, then the entire class to which the asset belongs must also be revalued.

5.7 Retirement

- > The retirement of any fixed asset must be authorised in accordance with the appropriate retirement/de-recognition delegations and must be consistent with the SA Health current asset management plan, and policy and strategic priority.
- > Regarding surplus land, all holding costs accumulated and the revenue generated from the sale of land must be allocated based on the land title name.

5.8 Reporting

- > All assets must be recorded in the Oracle FAR.
- > All assets controlled by SA Health must be correctly and accurately reflected in the Statement of Financial Position.

6. Mandatory related documents

The following documents must be complied with under this Policy, to the extent that they are relevant:

Under this policy, all employees of SA Health must comply with:

- > [Australian Accounting Standards Board \(AASB\) 116 Property, Plant and Equipment](#)
- > [AASB 136 Impairment of Assets](#)
- > [AASB 1058 Income for Not-for-Profit Entities](#)
- > [Premier and Cabinet Circular PC114 Government Real Property Management](#)
- > [Salvage and Disposal Policy and Procedure](#)
- > [State Records Act 1997](#)
- > [Treasurer's Instructions \(Accounting Policy Statements\)](#)

7. Supporting information

The following documents are for SA Health internal use only:

- > [Capital Projects Accounting FAQ](#)
- > [Managing Capital Projects Factsheet](#)
- > [Preparing Capital Project Journals Factsheet](#)
- > [Property, Plant and Equipment Accounting Procedure Manual](#)
- > [Salvage and Disposal Factsheet](#)

8. Definitions

- > **amortisation/depreciation** is the systematic allocation of a cost over the useful life of an asset. Intangible assets are amortised, while tangible assets are depreciated.
- > **business unit** is a term used to describe the operational units located within the Local Health Networks, SA Ambulance Service, the Department for Health and Wellbeing and the Attached agencies (Wellbeing SA and Commission on Excellence and Innovation in Health). Business units may be used to describe an individual hospital within an LHN, eg. Royal Adelaide Hospital, as well as a Division within DHW, eg. System Leadership & Design, or a clinical area within an LHN, eg. Cardiology.
- > **capital project** is a project which results in the creation of an asset, improves the capability of an asset, or extends the life of an asset.
- > **disposal** of an asset is the permanent removal or withdrawal of that asset from use or service.
- > **fair value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction - 'having regard to the highest and best use of the asset for which market participants would be prepared to pay.'
- > **impairment loss** occurs when the carrying amount exceeds its recoverable amount. Indications of impairment are whenever events or changes in circumstances (eg. global financial crisis or stock market crash) indicate that the carrying amount may not be recoverable. That is, the carrying amount of an asset exceeds its fair value.
- > **intangible asset** is an identifiable non-monetary asset without physical substance.
- > **Investing Expenditure Authority (IEA)** is received from the Department of Treasury and Finance and must be obtained by a Cabinet Submission of through the budget process. After an IEA approval has been granted, the approval must be provided to the Project Accounting team before a capital project is created.
- > **property, plant and equipment** are tangible items that are held for use in the production or supply of goods or services and are expected to be used during more than one reporting period. Examples include computing, imaging, medical, surgical, and plant and equipment that is under construction.
- > **residual value** of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.
- > **retirement** of a fixed asset is a retirement of the entire asset, or a discrete and separable part of an asset that is identifiable, measurable, and material.
- > **revalued amount** is a fixed assets' fair value at the date of the revaluation, less any subsequent accumulated depreciation or amortisation, and subsequent accumulated impairment losses.
- > **tangible assets** are those assets that have a physical substance, can be measured reliably, and are expected to be used during more than one accounting period. For example, land, buildings, infrastructure, plant, equipment, motor vehicles and work-in-progress. A tangible asset is measured as the cost of acquiring or constructing the asset.
- > **useful life** is the period which an asset or property is expected to be used for the purpose it was acquired. It may or may not correspond with the item's actual physical life or economic life.

9. Compliance

This policy is binding on those to whom it applies or relates. Implementation at a local level may be subject to audit/assessment. The Domain Custodian must work towards the establishment of systems which demonstrate compliance with this policy, in accordance with the requirements of the [System-wide Integrated Compliance Policy](#).

Any instance of non-compliance with this policy should be reported to the Domain Custodian for Financial Management and the Domain Custodian for the Risk, Compliance and Audit Policy Domain.

10. Document ownership

Policy owner: Chief Finance Officer as Domain Custodian for the Financial Management Policy Domain

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11. Document history

Version	Date approved	Approved by	Amendment notes
V2.0	29/11/2021	Deputy Chief Executive, Corporate & Systems Support Services	New template
V1.1	05/09/2019	Director, Corporate Finance Services	Link to Premier and Cabinet Circular PC114
V1.0	05/02/2019	SA Health Policy Committee	Initial version approved

12. Appendix

Appendix 1: Property, Plant and Equipment Accounting Policy Mandatory Instruction

Appendix 1: Property, Plant and Equipment Accounting Policy Mandatory Instruction

The following Instruction must be complied with to meet the requirements of the Property, Plant and Equipment Accounting Policy.

Asset life cycle	Compliance requirements
Asset recognition and capitalisation	<p>Business Unit Finance staff responsibility:</p> <ul style="list-style-type: none"> > All assets are recognised at fair value or cost, depending on how they were acquired. > All items must be coded correctly to the Oracle General Ledger. > All assets greater than or equal to \$10,000 (exclusive GST) are capitalised. > Following initial recognition, intangible assets shall be carried at its cost, less any accumulated amortisation and any accumulated impairment losses. 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. > Items with an individual value of under \$10,000 may be considered as part of a group with similar characteristics, including useful life and depreciation methods, but which, when grouped together, represent a total value which is a significant percentage of the total value of the entities' assets. These assets can be grouped and capitalised accordingly. <p>Fixed Assets, Financial Accounting, DTF responsibility:</p> <ul style="list-style-type: none"> > All assets are recorded in the Oracle Fixed Asset Register. > The Oracle FAR must be maintained and reconciled regularly to the Oracle General Ledger (Oracle GL).
Capital Projects	<p>Business Unit Project Managers responsibility:</p> <ul style="list-style-type: none"> > All capital projects must be established with a project ID. Where there is no project ID, all costs associated with that project will be expensed. > All capital projects operate within their approved IEA and budget. > All contractual obligations are fulfilled, and all committed expenses charged against the capital project prior to closure. <p>Project Accounting responsibility:</p> <ul style="list-style-type: none"> > The Oracle Project Module must be reconciled to the Oracle GL. > For inactive projects, that is, where there have been no transactions and no budget within the project for over three months, the status of the project must be justified. Where no justification is provided, project will be closed in the Oracle Project Module.
Depreciation and amortisation	<p>Fixed Assets, Financial Accounting, DTF responsibility:</p> <ul style="list-style-type: none"> > Depreciation and amortisation are to be allocated on a systematic basis over the asset's estimated useful life, using the straight-line method. > Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.
Stocktakes and impairment	<p>Business Unit responsibility:</p> <ul style="list-style-type: none"> > Annually, stocktakes are performed by at least two business unit officers, with any discrepancies noted. Discrepancies must be investigated and resolved in a timely manner. Items that are deemed lost must be reported to the pertinent Chief Executive / Chief Executive Officer. > Annually, all assets are assessed for any indication of impairment.

Asset life cycle	Compliance requirements
Valuation and revaluation	<p>Finance responsibility:</p> <ul style="list-style-type: none"> > An independent valuation appraisal must be conducted on a regular cycle for all pertinent assets. > When an administrative restructure occurs, no asset revaluation reserves are brought in as part of the restructure, so any revaluations occurring after that time are treated as a first-time revaluation.
Retirement and disposal	<p>Business Unit Finance staff responsibility:</p> <ul style="list-style-type: none"> > Retirement and disposal of any asset must comply with applicable SA Health disposal requirements and be monitored against approved SA Health budgets. > Retirement and disposal of the asset must be approved with the appropriate retirement/de-recognition delegations. <p>Fixed Assets, Financial Accounting, DTF responsibility:</p> <ul style="list-style-type: none"> > The fixed asset history shall remain in the Oracle FAR records upon retirement. <p>Business Unit Finance staff responsibility:</p> <ul style="list-style-type: none"> > Where the surplus land is in the name of the Minister for Health and Wellbeing, it must be transferred to the DHW to absorb any associated holding costs until sold. > Where the surplus land is in the name of the LHN, SAAS, or Health Advisory Council (HAC), all holding costs until the time of sale must remain with the LHN/SAAS or HAC. > In instances where surplus land and/or building belongs to a HAC, any revenue from the sale of land must go to the HAC, in direct consultation with DHW.
Reporting	<p>Fixed Assets, Financial Accounting, DTF responsibility:</p> <ul style="list-style-type: none"> > Asset balances on the Oracle FAR must be reconciled monthly to the Oracle GL. Any reconciling items are to be explained and actioned in a timely manner. > All assets are reconciled monthly and correctly reflected in the Statement of Financial Position.