Capital Projects Accounting Framework Policy Directive

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1. Policy Statement

This policy directive addresses identification, recognition, establishment and management of all capital projects, irrespective of their funding source, thus ensuring costs are correctly classified as expensed or capitalised. This policy directive ensures compliance with Treasurer’s Instructions, Accounting Standards and other regulatory requirements.

This policy directive only relates to projects which are managed through the Oracle Project Module.

2. Roles and Responsibilities

2.1. Project Manager/Business Delegate

It is the responsibility of the Project Manager/Business Delegate to:

- obtain project approval by the relevant delegation, and obtain an IEA
- complete and submit the Oracle Project Maintenance form, and ensure all accompanying supporting documentation is provided
- capture, correctly allocate, and monitor all appropriate project expenses, and conducting a monthly review to ensure correctness
- regularly review and notify Project Accounting of any changes to the project details
- review budgeted cash flow, and provide forecasts on a regular basis, and
- close the project, and inform the Project Accounting team.

2.2. Infrastructure

It is the responsibility of Infrastructure to:

- assist the business unit where an Investment Expenditure Authority (IEA) has not been obtained, and
- advise Project Accounting of any financial discrepancies for all Infrastructure managed capital projects.

2.3. Project Accounting, Corporate Finance Services

It is the responsibility of Project Accounting to:

- create a new project ID in the Oracle Project Module upon receipt of the appropriate approval
- prepare and perform monthly reconciliations between the Oracle General Ledger and the Oracle Project Module
- conduct monthly reconciliations from the Treasury Budget System (ie Budget and Monitoring System), and Internal Budget System (ie Budget Manager), to the Oracle Project Module, and
- close project IDs in the Oracle Project Module, upon appropriate approval or review.
2.4. LHN/SAAS Business Finance teams

It is the responsibility of Local Health Network (LHN) / SA Ambulance Service (SAAS) Business Finance Teams to:

- liaise with the Budget and Funding team, Corporate Finance Services where an IEA has not been obtained
- be abreast of capital projects and works, in collaboration with the Fixed Assets and the Project Accounting teams, and
- work with the Project Manager/Business Delegate, as required.

2.5. Fixed Assets team

The Fixed Assets team is responsible for:

- reviewing and processing the completed Work In Progress (WIP) into the Oracle Fixed Assets Register (Oracle FAR) module upon, appropriate business / project manager approval, and
- providing advice, upon request, as to whether a cost is to be expensed or capitalised.

3. Policy Requirements

Capital projects are vital to ensure that SA Health continues to provide an essential and fundamental service to the community in accordance with South Australia’s Health Care Plan. The overall accountability for the delivery of a project is shared between the Chief Executive of the Department for Health and Ageing (DHA), and the pertinent LHN or SAAS.

Prior to any project being undertaken, an appropriate business case and / or project brief must be prepared and approved by a delegated officer in accordance with the Delegations Instrument.

3.1. Funding capital projects

Major Projects or Annual Programs are the two types of capital programs that SA Health receives an IEA from the Department of Treasury and Finance. An IEA approval must be obtained and provided to the Project Accounting team before a capital project is created. An IEA must be obtained by either a cabinet submission, or through the budget process.

3.1.1. Cabinet submission

Capital project Cabinet Submissions must be written in collaboration with Infrastructure, Finance and Corporate Services Division, and due process must be followed to ensure appropriate approval is obtained. Cabinet must consider all public works as per the Premier and Cabinet Circular No. 15 Procedures for submissions seeking the review of Public Works by the Public Works Committee.

3.1.2. Budget process

Irrespective of the funding source (eg funded from appropriations or external funding), requests for an IEA, once supported by the delegate, can be submitted to DTF for their consideration and approval. All requests must be submitted via the appropriate authorised delegate to DTF.
3.2. Establishment of capital projects

After an approval for a project has been granted, all capital projects must be accompanied by a completed Oracle Project form so that a unique project ID can be generated. A project will not be established without a Project ID, and consequently capitalised. Where there is no Project ID, all costs associated with that project will be expensed.

3.3. Management of capital projects

All capital project expenditure and receipt transactions must be regularly monitored against the annual and monthly budget cash flows, to ensure effective and efficient management.

A monthly review by the Project Manager must occur to ensure all costs are captured correctly throughout the life of the project. All financial discrepancies must be addressed in accordance with the Capital Projects Accounting Procedure.

A capital project must operate within its IEA and budget, resulting in no overspend.

3.4. Capitalisation of projects

Every cost item in a project must be accurately assessed to determine the nature of the transaction and must be coded to its pertinent account, i.e., Asset clearing account, WIP clearing account, or an expense account.

All items purchased that meet the definition and recognition criteria of an asset, and have a value of $10,000 or greater (GST excl.), must be capitalised. All capitalised assets must be added to Oracle FAR using the Fixed Asset Addition form by the Project Manager.

A monthly reconciliation of the capital grant expense to the capital grant revenue must be undertaken by Project Accounting for all of SA Health. The Oracle Project module must be reconciled to the Oracle General Ledger on a regular basis.

3.5. Closure of capital projects

Before a capital project can be closed, all contractual obligations must be fulfilled and all committed expenditure must be charged against the project.

The Project Manager will, in a timely manner, undertake the financial close off and complete the appropriate forms at the final stages of completion. For inactive projects, i.e., there have been no transactions and no budget within the project for over three (3) months, the status of the project must be justified. Where no justification is provided, the Manager, Project Accounting will close the project in the Oracle Project Module, and inform the Project Manager. Refer to the Capital Projects Accounting Procedure.

4. Implementation and Monitoring

Compliance with this policy directive will occur when project expenditure is assessed against the asset recognition criteria, to ensure the nature of the expenditure has been correctly determined. The Capital Projects team reviews and monitors project budget against actual, and reports this to the Department of Treasury and Finance in accordance with their reporting requirements.

5. National Safety and Quality Health Services Standards

N/A
6. Definitions

In the context of this document:

- **annual programs** are budgeted amounts allocated to SA Health on an on-going basis for various programs, (eg Bio Medical Equipment Program; Minor Works Program; Compliance Program). Once SA Health has received the annual capital budget from DTF, this provides a framework for Infrastructure, in conjunction with the business unit, to establish a detailed program.

- **asset clearing account** (natural account 29997) should be used for any capital purchases that should become a fixed asset immediately (ie are in use and provide an economic benefit) as soon as they are settled, delivered or installed. An example of this would be the purchase of biomedical equipment or land etc.

- **business unit** is a term used to describe the operational units located within the LHN, SAAS and the Department for Health and Ageing. Business units may be used to describe an individual hospital within a LHN (eg RAH), as well as a division within the department (eg eHealth Systems), or a clinical area within a 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.

- **Investing Expenditure Authority (IEA)** is the authority to incur expenditure on activities of a capital nature from the Department of Treasury and Finance.

- **major projects** are projects with a specific scope, and have funds dedicated solely to that project. Major projects include projects like the redevelopment of the Lyell McEwin Hospital.

- **project manager/business delegate** is the person that is nominated as the Project Manager against an individual project within the Oracle Project Module. The Project Manager will conduct the necessary steps to successfully deliver the project within its scope and the Delegations of Authority.

- **work in progress** (WIP) (natural account 29994) should be used for incurring costs (in stages), which will result in either the creation of a new asset, or a significant improvement to an existing asset, which will extend the current useful life/economic benefit.

7. Associated Policy Directive/Policy Guidelines and Resources

- APF III Asset Accounting Framework
- Capital Projects Accounting Procedure
- Capital Project Work-in-Progress Procedure
- Capitalisation of Information Technology Policy Directive
- Capitalisation of Plant and Equipment Policy Directive
- Classification of Costs for Asset Sustainment Policy
- Classification of Costs for New and Major Projects Guidance
- Classification of Costs for New and Major Projects Policy and Procedure
- Fixed Asset Addition Form
- Fixed Assets Definition Fact Sheet
- Premier and Cabinet Circular No. 15 Procedures for submissions seeking the review of Public Works by the Public Works Committee
- Project Maintenance Form
8. Document Ownership and History

Document developed by: Policy and Compliance Corporate Finance Services, Finance
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- Is this a new policy? N
- Does this policy amend or update an existing policy? N
- If so, which version?
- Does this policy replace another policy with a different title? Y
- If so, which policy (title)? Capital Project Funding and Establishment Policy Directive

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<th>Approval Date</th>
<th>Version</th>
<th>Who approved New/Revised Version</th>
<th>Reason for Change</th>
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<td>08/12/2017</td>
<td>V1.0</td>
<td>SA Health Policy Committee</td>
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<tr>
<td>08/08/2017</td>
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