Policy Directive: compliance is mandatory
Asset Management Policy Directive

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Summary
The Asset Management Policy Directive has been created to specify the minimum financial management requirement for the development, implementation, documentation and maintenance of an asset compliance and management program.

Assets must be classified as either current or non-current for financial reporting purposes.

Assets that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date, will be classified as current assets. All other assets are classified as non-current.

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Is this a new policy? Y
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Does this policy replace an existing policy? N

Applies to
All SA Health Portfolio

Staff impact
All Staff

PDS reference
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Version control and change history

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Asset Management Policy Directive

Version V1.1
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1. **Objective**

This policy directive has been created to specify the minimum financial management requirement for the development, implementation, documentation and maintenance of an asset compliance and management program.

2. **Scope**

This policy directive applies to the entire SA Health Portfolio.

3. **Principles**

The following principals must be adhered to:

- In accordance with Treasurer’s Instruction 28 ‘Financial Management Compliance Program’, SA Health must develop, implement, document and maintain a robust and transparent financial management compliance program.
- SA Health must establish and maintain physical control over access to, and for when, assets are used.
- All asset storage areas must be safeguarded with restricted use by authorised personnel at all times.
- SA Health must ensure that financial management non-compliance is managed appropriately.

4. **Detail**

Local Health Networks (LHNs), South Australian Ambulance Service (SAAS) and the department are responsible for the financial management and the development, implementation, documentation and maintenance of an asset compliance program that meets the requirements set out in paragraph 2.12 and 28.9 of TI 2 ‘Financial Management’ and TI 28 ‘Financial Management Compliance Program’ (respectively).

Specifically LHNs, SAAS and the department must ensure:

4.1. **Responsibility for Financial Management Compliance**

The responsibility for financial management compliance relating to asset activities is assigned to appropriate senior officers.

Documentation that substantiates the existence or occurrence; completeness; valuation or allocation; passing of control; rights and/or obligations relating to asset activities must be maintained.

4.2. **Current and Non-Current Assets**

All assets purchased must be in accordance with the appropriate financial delegations of authority, and will be correctly classified and recognised in the Statement of Financial Position.

Assets must be classified as either current or non-current for financial reporting purposes.
Assets that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within twelve months after the reporting date, will be classified as current assets. All other assets are classified as non-current.

4.2.1. Asset Capitalisation Threshold

In accordance with Accounting Policy Framework (APF) III 'Asset Accounting Framework' SA Health has adopted a capitalisation threshold of $10,000 (GST exclusive). That is, only items purchased at a cost greater than or equal to $10,000 which satisfies the definition and recognition criteria above will be capitalised. Items with a fair value at the time of acquisition of less than $10,000 need not be recognised (capitalised) as an asset. That is, it will be expensed in the period in which it is acquired.

4.3. Asset Safeguard

All asset storage areas will be adequately secured, including restricting access to authorised personnel and protection from accidental destruction, deterioration, theft or fraudulent or illegal use.

4.3.1. Current Assets

The Corporate Support and Bank Reconciliation teams are responsible for safe guarding cash and access to bank accounts by ensuring segregation of duties, with respect to handling, depositing, accessing and reconciling cash. Floats/cashier balances will be counted and reconciled regularly, where any discrepancies are identified, these are promptly followed up.

The Cash and Debt Management team is responsible for assessing and recovering debtors, in accordance with documented policy directives and procedures.

Inventory stocktakes will be performed annually to account for inventory held within SA Health.

Attractive Items are items that fall within the $10,000 asset threshold and are portable and attractive by their nature. Examples include digital cameras, audio visual equipment, and external hard drive storage devices. LHN/SAAS/the department will maintain a register and safeguard these assets in accordance with the policies and procedures developed by SA Health.

4.3.2. Non-Current Assets

The responsibility for the Oracle Corporate System Fixed Asset Register (Oracle FAR) resides with the Fixed Assets team, Financial Accounting. All assets purchased must be correctly classified, assigned a fixed asset number and recorded on the Oracle FAR by Financial Accounting, wherein, the asset begins depreciating.

The Fixed Assets team, Financial Accounting is assigned the responsibility to ensure the integrity of the Oracle FAR by conducting annual stocktakes, and with assuring that valuations and depreciation charges are in accordance with the Accounting Policy Framework, Australian Accounting Standards and other SA Health specific policies and procedures.

4.4. Asset Reconciliation

Reconciliations between the general ledger, relevant subsidiary ledgers, and bank accounts (for example; Oracle FAR, and bank statement reconciliations) are performed on a regular and timely basis. Appropriate source documentation must support transactions to ensure compliance with audit requirements, and this information must be presented in an appropriate format.
Reconciliations must show evidence of being reviewed and endorsed, by a senior officer within the department/SAAS/LHNs who is independent from the process, and will check that the reconciliation is accurate and correct.

Where reconciling items occur, they must be dealt with in an appropriate and timely manner to prevent them from carrying over to a new period.

4.5. Asset De-recognition

The establishment of authorisations that empower authorised persons to approve asset de-recognition, or adjustments to amounts previously recognised must be created; for example, debt write-offs and disposal of assets.

All de-recognition/adjustments must be authorised in accordance with these established authorisations. The process for de-recognition/adjustments must be documented in a policy directive and/or procedure.

4.6. Resource Management

Where there are additional authorisations relating to financial and asset management, other than those financial authorisations that are separately dealt with in Treasurer’s Instruction 8 *Financial Authorisations*, these will be regularly reviewed, (e.g. annually).

The above asset processes must be documented in a policy directive and/or procedure by SA Health in compliance with Treasurer’s Instruction 2. Documented policies and procedures are to be reviewed regularly.

5. Roles and Responsibilities

The following Officers are responsible for compliance with this policy directive:

- Chief Executive, SA Health
- Chief Executive Officers of each LHN and SAAS
- Deputy Chief Executive, Finance and Business Services
- Deputy Chief Executive, System Performance
- Chief Finance Officer, Finance and Business Services
- Director, Corporate Finance Services, Finance and Business Services
- Director, Financial Accounting, Finance and Business Services
- Director, Financial Business Advisory Service, Finance and Business Services
- Director, Hospital Revenue, Finance and Business Services
- Director, Procurement and Supply Chain Management, Finance and Business Services
- Finance Directors of each LHN and SAAS, Financial Business Advisory Service
- Department for Health and Ageing Divisional Accountants

5.1. Outsourced Service Arrangement

Certain financial management functions and responsibilities can be subject to an outsourced service arrangement, including an arrangement with Shared Services SA. Where this occurs, a Service Level Determination will define the responsibilities that have been agreed and allocated between the public authority and the service provider (Shared Services SA) for the tasks, activities and controls associated with the outsourced financial management functions.
6. Reporting

Any breach of TI 2 and/or TI 28 must be reported by the respective Chief Executive/Chief Executive Officer of the public authority to the Under Treasurer within 30 days of becoming aware of this breach.

7. EPAS Considerations

N/A

8. Exemptions

N/A

9. Associated Policy Directives / Policy Guidelines

The following documents provide further guidance:

- Debt Management in SA Health Policy Directive
- Cash Management Policy Directive
- Capitalisation of Projects Policy Directive
- Attractive Items Policy Directive
- Capitalisation of Information Technology Policy Directive
- Capitalisation of Plant and Equipment Policy Directive
- Classification of Asset Sustainment Policy Directive
- Classification of New and Major Works Policy Directive
- Depreciation and Amortisation Policy Directive
- Asset Revaluation Policy Directive
- Intangible Items Policy Directive
- Land and Buildings Policy Directive
- Plant and Equipment Disposal Policy Directive
- Stocktake Policy Directive

10. References, Resources and Related Documents

- Accounting Policy Framework III ‘Asset Accounting Framework’
- Treasurer’s Instruction 2 ‘Financial Management’
- Treasurer’s Instruction 28 ‘Financial Management Compliance Program’

11. Other

Treasurer’s Instruction 2 ‘Financial Management’, paragraph 2.15 requires SA Health to develop, document and maintain policies, procedures, systems and internal controls relating to asset transaction processing and the management of asset account balances.

Paragraph 2.12 of Treasurer’s Instruction (TI) 2 ‘Financial Management’ and paragraph 28.9 of TI 28 ‘Financial Management Compliance Program’ stipulates that “…the Chief Executive must:
2.12.1 establish authorisations that empower authorised persons to approve asset recognition and de-recognition (e.g. asset disposal/write-off);

2.12.2 ensure all assets are safeguarded. Physical control must be established and maintained over access to and use of assets;

2.12.3 ensure that reconciliations between the general ledger and relevant subsidiary ledgers (e.g. asset register) are performed on a regular and timely basis; and

2.12.4 ensure documentation that substantiates the existence or occurrence, completeness, valuation or allocation, control, and rights and/or obligations relating to assets is maintained.

And

28.9.1 ensure responsibility for financial management compliance relating to all asset activities is documented and assigned to appropriate senior officers; and

28.9.2 ensure contractors’ performance against contracts, service level agreements or equivalent are regularly monitored and reviewed to ensure compliance with contract terms and conditions.”

12. National Safety and Quality Health Service Standards

N/A

13. Evaluation of Performance and Compliance

Adequate safeguarding of all asset storage areas, coupled with restricting access to authorised personnel, will assist in preventing theft or illegal use of assets, and will demonstrate that the policy directive is being adhered to.

Compliance with this policy directive will avert any adverse commentary from Audit

This policy directive ensures compliance with Treasurer’s Instructions 2 and 28.

14. Attachments

N/A

15. Definitions

In the context of this document:

> **asset** is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

> **attractive items** are items purchased at a cost less than $10 000, but are more likely to be misappropriated as a result of their attractive nature, e.g. Laptop computers, mobile phones and cameras.

> **compliance program** activities that when combined are intended to achieve compliance with financial management obligations/requirements.

> **current asset** is an asset that is sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised; within twelve months after the reporting date.
the definition and recognition criteria is defined in the AASB Framework for the Preparation and Presentation of Financial Statements. It defines assets as:

“... a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity”

Further, assets are recognised in the Statement of Financial Position when, and only when:

> it is probable that the future economic benefit will flow to the entity; and
> the asset has a cost or value that can be measured reliably.

non-current asset is an asset that has not been classified as a current asset.

SA Health is the corporate identity used for the Department for Health and Ageing, (the department), all the Local Health Networks (LHNs) and SA Ambulance Service (SAAS).