NSW Police Force

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Fixed Assets Policy

Finance and Business Services

Document Control Sheet

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Contents

1. Introduction

The NSW Police Force (NSWPF) Fixed Assets Policy is in accordance with Treasury requirements which can be accessed at [www.treasury.nsw.gov.au.](http://www.treasury.nsw.gov.au)

2. Purpose

The purpose of the Fixed Assets Policy is to ensure that NSWPF correctly records all transactions relating to property, plant and equipment. These include additions, disposals, transfers and revaluations.

2.1. Roles & Responsibility

The Fixed Assets Policy is owned by Finance and Business Services (FABS), and Shared Services is responsible for the processing of some low value fixed assets transactions.

Finance & Business Services	Financial Control is responsible for developing, reviewing, publishing and communicating the contents of policy and supporting documents owned by Financial Control.
All Staff	Each staff member is required to read, understand and comply with all Financial Control's policy and supporting documents that relate to an employee's financial delegation, rank, role and/or duties. Staff members who do not complies with NSWPF's policies and procedure may be subject to disciplinary actions.

2.2. Legislation, Policies and Procedures

Relevant documents for the Fixed Assets Policy include:

- Treasurer's Directions
- Treasury Circulars
- Treasury Policy Papers
- Australian Accounting Standards

- Fixed Assets Manual
- Fixed Assets Forms

3. Definition

The Australian Accounting Standards Board (AASB) provides the definition of an asset under the Introductory Note as "*Assets" are future economic benefits controlled by the entity as a result of past transactions or other past events'1.*

In other words, 'A resource **controlled** by an entity as a result of **past events** from which **future economic benefits** are expected to flow to the entity'.

Assets include tangible and intangible assets that provide future economic benefits for more than 12 months.

Indicators that NSWPF has **control** over the resource include:

- The ability to benefit from the resource and the legal right to deny or regulate the access of others to that benefit.
- Depending on the nature of the resource; the ability to use it, exchange it, exact a price for others to use it, sell it, or lease it.
- Shared or joint control of the asset with another agency or business entity.

Indicators that a **past event** has occurred:

- A transaction or event that has given rise to the control of the resource has occurred.
- The actual transaction or event must have occurred – it is insufficient to merely have an intention to acquire the resource.
- The transaction or event need not be in exchange for consideration. For example, the asset may be transferred or donated to NSWPF by another agency.

[1] https://aasb.gov.au/admin/file/content102/c3/SAC4_3-95.pdf Section 14

Indicators of **future economic benefits**:

- The resource need not generate cash flows to be recognised as an asset. The benefits can also be in the form of 'service potential' to the NSWPF.
- The capacity of the asset to be able to contribute to or support corporate / government objectives and programs.

3.1. Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the NSWPF. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are recognised initially as assets and revenues at their fair value at acquisition date.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Assets can be acquired through Purchasing, Special Projects, or Direct Entry to the Fixed Asset System as a result of Donations, Insurance Settlements, or identified during the audit process.

Any acquisition of assets where the use of funds is required must be on the basis of the approved asset budget and from those funds allocated for the specified purpose.

The responsibility for allocation of the approved asset acquisition budget on an annual basis is FABS.

3.2. Capitalisation Thresholds

Property, plant and equipment and intangible assets costing $5,000 and above, individually, are capitalised.

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All Computer hardware is to be capitalised irrespective of purchase price. IPADS/Mobile Phones are recurrent in nature and do not meet the discretionary criteria as capital (part of a network of assets). Computer/Laptop peripherals under $5,000 are recurrent in nature (e.g., monitors purchased separately to a PC or laptop replacement package).

Computer software (not subscription) with a unit value of $5,000 and above are to be capitalised.

"Low Value Equipment", for items with a purchase price between $500 and $5,000 are to be fully depreciated immediately when Financial Reporting & Tax (FR&T) run the depreciation schedule at the end of the month (i.e., expensed in the month date of purchase against the individual Command's recurrent budget). As a result of recording an item as a Low Value Equipment in the asset register, it will have created a record of the items for tracking and audit purposes. Low Value Equipment process does not have any implications on capital budget.

This policy complies with Treasury's Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment (TPP06-06) (section 3.1 Capitalisation Threshold Guidance), which allows agencies to make a professional judgement based on materiality in respect of assets or parts of an asset that cost between $500 and $5,000.

NSWPF only applies this discretion in limited cases. Computer and Laptops are deemed minor capital in nature as forming a significant network of assets. All other items are to be assessed for consideration by FR&T on a case-by-case basis (Ref: Capitalisation Guidelines).

3.3. Revaluation of Property, Plant and Equipment

The NSWPF's property portfolio consists of land, police residences and police stations. Physical non-current assets are valued in accordance with Treasury's Policy and Guidelines Paper "Valuation of Physical Non-Current Assets at Fair Value" (TPP21-09). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Residential property and marine/aircraft fair value of is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price and the best indicator is depreciated replacement cost. Police Stations and associated administrative areas are valued based on the estimated written down replacement cost of the most appropriate modern equivalent replacement facility having a similar service potential to the existing asset. Land is valued at the highest and best use basis, subject to any restrictions or enhancements since acquisition. The land component of the property portfolio and police residences is revalued with market value as the basis for revaluation.

Land and buildings are revalued over a three-year cycle. The NSWPF undertakes this progressive method of revaluation in accordance with Treasury Guidelines and AASB 116 Property, Plant and Equipment. Desktop valuations using valuation factors are undertaken for that portion of the land and buildings portfolio that have not been subject to the comprehensive valuation in that year. All land and building revaluations, and desktop valuations using valuation factors are undertaken by accredited valuers. Accredited valuers are engaged by the external property management service provider, to ensure valuation consistency.

Non-specialised assets with short useful life are measured at depreciated historical cost, as a surrogate for fair value.

Heritage buildings are valued at a premium rate taking into consideration the highest and best use of the property.

Accounting Treatment- Revaluation: When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. Otherwise, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement for that class of asset, previously recognised as an expense, the increment is recognised immediately as revenue.

Revaluation decrements are recognised immediately as expenses, except that, to the extent that a credit balance exists in the revaluation surplus for the same class of assets, they are debited directly to the revaluation surplus. As NSWPF is a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise. Where an asset previously revalued is disposed of, any balance remaining in the revaluation surplus for that asset is transferred to accumulated funds.

3.4. Asset Restoration (Expenditure on Police Assets Prior to Lease Terminations)

Lease agreements often stipulate that upon termination of the lease, the lessee must restore the premises to the standard that it was prior to commencing lease.

Therefore, prior to NSWPF vacating the premises it leases, expenditure will often need to be incurred to restore the premises to the appropriate standard.

The accounting process for establishing, maintaining and utilising the provision is summarised in the table as follows:

Description	When	Transaction
The Lease agreement is signed between lessor and lessee. This requires the lessee to establish the make good provision.	When lease agreement is signed.	DR Asset Restoration CR Make Good Provision
Depreciate the asset restoration account until the lease term is due.	Monthly	DR Depreciation Expense CR Accumulated Depreciation
Conduct revaluation of the make good provision using the discount rate to bring the future make good provision to the net present value.	Annually	DR/CR provision movement in Provision A/C DR/CR P&L – Revenue or Expenditure A/C DR/CR Asset Revaluation Reserve DR/CR Restoration Asset DR/CR Accumulated Depreciation
When the lease terminates, the revaluation reserve is transferred between equity accounts.	Upon termination of lease	DR Asset Revaluation Reserve CR Accumulated Funds Retire the asset and write off the provision
Undertake works to restore the premises to the original standard. Make the 'make good payment' prior to vacating the premises.	Prior to vacating the premises	DR current liability portion Make Good Provision CR Cash
Extension of pre-existing lease.	Take up lease options	Calculate the change in value between existing provision and new provision to adjust by movement only. DR/CR existing provision DR/CR P&L – other comprehensive income DR/CR Asset Restoration Reserve DR/CR Restoration Asset DR/CR Accumulated Depreciation

3.5. Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the NSWPF is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

3.6. Depreciation and Amortisation of Property, Plant and Equipment

Depreciation/amortisation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable/amortised amount, as consumed over its useful life, to the NSWPF. Land is not a depreciable asset.

All material separately identifiable components of assets are recognised and depreciated /amortised over their useful life. If the asset cannot be separately identified, even though it is an integral part or component of a larger asset, then it is considered to be a whole of an asset and is depreciated /amortised over the useful life.

Category	Asset Category Name	Rate
A	Aircraft	15%
B	Buildings & improvements	useful life varies 2 to 74 years
C	Computers – not PC’s	25%
C 1	Computers	20%
D	Computer integrated software	10%
E	Furniture & fittings	10%
F	Plant & equipment	10%
G	Marine equipment	5%
H	Transport equipment	15%
I	Office equipment	10%
J	Scientific apparatus	15%

K	Radio communications equipment	15%
M	Firearms and dangerous weapons	10%
N	Musical instruments	10%
P	Livestock	12.5%
Q	Leased buildings	lease term per asset

4. Controls

4.1. Purchasing

All assets acquired as a result of a direct purchase, must be processed via the Purchase Order System within SAP, which has an interface with the Accounts Payable Module and the Fixed Assets Module.

The date of acquisition and the Purchase Order value are posted to the asset at time of receipt. Price variations between the supplier's invoice and the Purchase Order value are posted to the asset automatically.

All Purchase Orders that are being assigned to Asset Accounting in SAP must use Account Assignment A.

The ‘Material Group’ determines the Asset Class and must be an alpha character; the Asset Class also determines the Account postings and Depreciation Rules.

4.2. Special Projects

An asset created through a special project forms part of the Capital WBS (Works Breakdown Structure). The Asset Under Construction is created with a non-depreciating asset class. The project costs are processed to the Asset Under Construction (AUC) at the end of each month. These costs are reported in the Balance Sheet as Work In Progress.

When the project is completed a settlement rule is created which determines the posting of the project costs to the final asset. The asset is capitalised when the project is completed, and the asset is ready for use. The asset is allocated to a valid asset class and depreciation of the asset should commence.

4.3. Donated assets/insurance settlements

Assets are sometimes acquired as a result of **donations, insurance settlements where cash is not received, or when assets are identified during the audit process**.

In these cases, the asset is entered directly into SAP's Fixed Asset System. Asset Maintenance and the acquisition date and value of the asset should be updated and posted to the relevant accounts.

The asset master record or "shell" must be populated with dollar values, date of acquisition and serial number.

The asset class determines the posting rules for the Asset accounts, once the date of acquisition and asset value is posted, depreciation will commence.

Assets posted via the Accounts Payable Module of SAP include an automatic offsetting entry.

4.4. Asset Transfers

When an asset is transferred between cost centres within the same company i.e. (NSWPF Coy. 1100) the asset master record should be updated with the transfer details e.g. new cost centre, location, region or directorate and the date of transfer.

4.5. Asset Master Data

SAP maintains an audit log of all asset changes and the date and name of person entering the changes relating to the asset.

Changes to master data that have a non-financial impact may be processed at Police Area Command/Business Unit level; these may include changes to asset description, location and serial number. Changes to master data in the current financial year can be reversed and posted again if necessary.

Changes to master data which have a financial impact will be undertaken by FABS, and these may include changes to acquisition date and depreciation rules.

4.6. Year End Close

The financial year for Fixed Assets in SAP is 1 July to 30 June of the following year.

Year-end close is performed by running depreciation for the final period and posting the depreciation expense to the General Ledger.

The year-end process checks that, depreciation has been run and posted for all periods in the financial year, and if any asset master record errors exist in the Fixed Asset Master Data. If no errors are found, the new financial year is opened and the current financial year is closed.

It is the responsibility of FABS to perform year-end closing of the Fixed Assets Module in SAP.

4.7. Annual Assets Stocktake

All Commands are required to conduct an annual comprehensive stocktake of fixed assets within their span of control. The stocktake must be completed on an accurate and timely basis and in accordance to the Fixed Asset Stocktake Procedures. All stocktakes may be audited to ensure that these requirements are met.

A comprehensive stocktake should be undertaken for all Fixed Assets and Low Value Equipment ("Z" assets). The SAP Asset Audit Report must be referenced when undertaking the stocktake.

The stocktake must confirm the physical existence, value (where appropriate), count and condition of all assets listed on the Assets Audit Report.

The useful life of each asset with a remaining useful life should be reviewed to ensure that an appropriate useful life has been allocated. Any changes required to the useful life value should be made in writing for consideration to the Senior Financial Accountant, FR&T, who will review and assess the requirement in conjunction with the NSWPF Fixed Assets Policy.

Once the stocktake has been conducted, any discrepancies as listed below must be reported and appropriate action taken in relation to the records:

- assets not identified during the stocktake process must be thoroughly investigated as to their whereabouts.

- assets transferred to another NSWPF location must be changed within SAP asset module to the new location.

- assets identified as missing in the stocktake and where all avenues taken to locate the asset have been unsuccessful, may be written-off as unaccounted for at stocktake. This step should be followed only as a last resort. These assets must be written-off using the ZAUTOFI in the SAP asset module.

- assets that have been already disposed of, and still appear on the Asset Audit Report, must be disposed of using the ZAUTOFI in the SAP asset module.

- assets on loan, either to NSWPF staff members or on loan to other Government agencies, must be validated at the loan location. Items on loan should be verified against appropriate supporting documentation to be held at the business unit.

Where a discrepancy is of serious proportions, a report on the matter should be furnished, through the usual chain of command, to the Auditor-General.

The Fixed Asset Annual Stocktake Certificate is to be submitted as follows:

- Regions are to provide a certificate to cover each region.

- Business Units are to provide individual certificates.

- The certificates should indicate that a stocktake has been undertaken of assets on hand as at 31st January. Commanders/Managers are required to certify the physical existence, value and useful life (where appropriate), count and condition of assets, also any discrepancies that are identified, reported and appropriate action taken in relation to the records.

Where the stocktake has been undertaken progressively throughout the year the certificate should indicate that assets within the command have been sighted at least once in the preceding year, are all on hand and are in satisfactory condition.

5. Asset Disposals

When an asset has been sold, traded in, damaged beyond repair, obsolete, scrapped, lost, stolen or no longer qualifies as an asset, the asset must be retired from the SAP Assets Register.

Asset Retirements without revenue can be processed at the local level via ZAUTOFI in SAP providing the appropriate financial delegated approval has been undertaken.

Asset retirements can be reversed in the same financial year as the retirement.

Please refer Assets Disposal Policy for details of treatments regarding various assets disposals.

Asset Sale

Assets disposals and retirements must be authorised by officers with the appropriate financial delegation in accordance with the NSWPF Financial Delegations (Instrument of Delegation) and in accordance with the Government Sector Finance (GSF) Act 2018.

A Tax Invoice should be raised to record the transaction of the sale of the asset within the Fixed Asset/Accounts Receivable and General Ledger Systems and to establish a valid audit trail of the transaction for the receipt of the cash proceeds of the asset disposal in addition to any Goods & Services Tax (GST) component relevant to the transaction.

When an asset is sold, the revenue, less the GST component, is recorded in SAP against the area and credited to the relevant capital revenue accounts. The next level in the NSWPF hierarchy retires the asset in the Fixed Asset Module of SAP.

The Asset Retirement form is completed with revenue details and must be submitted to FABS (Fixed Assets Accountant) for consideration and processing.

Insurance Claims

Where an asset is retired with a cash settlement from an insurance claim, this is treated as a retirement without revenue. The proceeds, net of GST, will be coded against an appropriate capital revenue account.

Trade Ins

Trade Ins must be authorised by officers with the appropriate Financial Delegation in accordance with the NSWPF Financial Delegations and in accordance with the Government Sector Finance (GSF) Act 2018.

Where an asset is traded in against the purchase of a new asset, the old asset is retired with revenue, where the proceeds are the amount given as the trade in.

When posting the invoice for the new asset, the trade in amount should be posted to the proceeds clearing account as an additional line item.

Low Value Equipment

Low Value Equipment is defined as any item, with the exception of Communication equipment such as radios, scanners, phones etc that has a value of $4,999.00 or less and is of a non-consumable nature.

Business areas disposing of Low Value Equipment will be responsible for the preparation of relevant documentation and, following local approval, the data entry of the disposal into the Fixed Asset Module in SAP.

Approval to write off Low Value Equipment must be given by an officer with the appropriate Financial Delegation to write off Low Value Equipment.

All Low Value Equipment must be retired without proceeds in SAP, even if proceeds are realised. Any proceeds should be credited to an appropriate recurrent revenue account.

Asset disposals with GST

When an asset is disposed of to a third party, in accordance with GST legislation the disposal is treated as a taxable supply and is subject to GST.

A formal Tax Invoice should be raised as part of the asset retirement, with the amount of the disposal net of GST being credited to the relevant capital revenue accounts.

6. Asset Revaluations

All asset revaluations must comply with the accounting standards and Treasury requirements.

Under the accounting standards, all revaluations should initially be taken up in the Asset Revaluation Reserve Account. Revenue and Expenditure accounts will only be affected at the end of the financial year as an end of year adjustment. These entries are processed by the FR&T team within FABS.

These accounts are:

Account No	Description
320000	Asset Revaluation Reserve-Land
321000	Asset Revaluation Reserve-Buildings
322000	Asset Revaluation Reserve- Plant & Equipment
323000	Asset Revaluation Reserve- Marine Craft
324000	Asset Revaluation Reserve- Aircraft
325000	Asset Revaluation Reserve Control

The accounting standard requires that classes of assets, not individual items, to be revalued, although provision exists for this revaluation to be over a three-year accounting cycle. Revaluation increases or decreases being offset within classes of assets. Future depreciation charges being based on the revalued amount.

Where assets of the NSWPF have been so identified as requiring revaluation, Treasury has specified the methods of revaluation to be utilised.

They are:

- Land - vacant land is to be revalued at the assessed market value. Where the land is part of a parcel of surplus assets for disposal the land to be assessed at market (selling) price.
- Surplus Buildings - all surplus buildings to be valued at market selling price.
- Specialist Buildings - all specialist buildings (Police Stations) which are held for continued use would be replaced to be valued at the lower of the current written down

replacement cost. The current reproduction cost of their service potential, buildings with multiple purposes to be revalued at replacement cost.

- Non-Specialised Buildings - all non-specialised buildings to be valued at the greater of their market buying and selling price.

- Marine Craft & Aircraft - to be measured at the best available market evidence, including market selling prices for the same or similar assets.

Other specialised items of plant and equipment in the NSWPF, which may require revaluation are:

- Marine Craft equipment **-** items that may require revaluation would include launches, barges, decompression chambers, outboard motors and skiffs/runabouts.

- Aircraft - item for revaluation would be helicopters and fixed wing aircraft.

- Computer Software **-** mainframe computer software with a value greater than $50,000 will be depreciated over 10 years and not subject to further revaluation after time of acquisition. Other software for personal computers with a value greater than $5,000 and less than $49,999 will be fully depreciated over 4 years and not subject to further revaluation. Software with a value less than $5,000 will be expensed at time of purchase.

- Radio Communications - where there are radio communications on a freehold site, the radio communications will form part of the revaluation of the whole site. In circumstances where the radio communications are on a leasehold site, such equipment will not be subject to the revaluation provisions.

7. Asset Reporting

Reports can be run from the report selection list in SAP. These are:

- Asset Acquisitions Report

- Asset Retirements Report

- Asset Transfers Report

- Asset Audit Report

These reports should be run at the end of each financial period or on an as needed basis.

8. Asset Reconciliation

The Senior Financial Accountant, FR&T team is required to undertake a monthly reconciliation of the Fixed Assets Module to the General Ledger by asset class to account for additions, work in progress, disposals, transfers, revaluations and any other movements affecting the monthly balance.

9. Useful Links

Finance Forms

Asset Disposal Policy

Fixed Assets Capitalisation Guidelines