



Asset Management Policy and Plan (Revision 1)

To enable a consistent approach to the management of non-financial assets within the Great Barrier Reef Marine Park Authority ('the agency')

Target audience: All [officials](#) and [contractors](#) of the agency who undertake paid or unpaid work.

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Purpose

1. The purpose of this policy is to inform and influence decisions made in the acquisition and management of [non-financial assets](#) and [inventory](#) within the agency, so strategic and operational objectives may be supported.
2. This policy also compliments the Accountable Authority Instructions by providing key definitions and direction for [asset](#) recognition and accounting, and includes specific guidance on the asset lifecycle and a number of complex asset issues impacting the agency.

Context

3. A key underlying principle of 'accrual accounting' is the matching of expenditure to the period in which the associated economic benefit is derived (i.e., the 'matching principle'). When the economic benefit derived extends beyond the current financial year to future years and can be reliably measured, expenditure is '[capitalised](#)'. Capitalised expenditure is recognised as a non-financial asset in the agency's 'balance sheet' (i.e., the summary of assets and [liabilities](#)).
4. To account for asset value loss over time and use ([depreciation](#)), the cost of a non-financial asset must be spread over the period of its [useful life](#), which corresponds to the period in which the economic benefit is derived.
5. Excluding inventories, the agency recognises two broad categories of non-financial assets; [tangible assets](#); and [intangible assets](#). These categories are further broken down into asset types and classes in order to recognise them within the agency's finance management information system (FMIS) and enable them to be consolidated in the financial statements each year. Table 1 identifies the category, type and class of non-financial assets within the agency.

Table 1: Classes of non-financial asset utilised within the agency

Non-financial asset category	Asset type	Asset class
Tangible (physical) Asset	Land	Land
	Buildings	Buildings
	Heritage and cultural	Heritage and cultural
	Leasehold improvements	Leasehold improvements
	Plant and equipment	Audio and visual Computer hardware Reef HQ exhibits Furniture and fittings Marine and diving equipment Office machines Scientific Vehicles
Intangible Asset	Intangibles	Internally developed software Software purchased Patents Trademarks Copyrights

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POLICY

Document No: 100411, revision 1

Replaces: Asset Management Policy and Plan v0 (then approved 21-Jan-2016)

Document originator: Finance Manager, Finance section

Approved by: Chief Finance Officer, on 25-Feb-2021

Next review date: 25-Feb-2026

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6. In order to meet the day-to-day operational needs of the agency, the non-financial asset infrastructure is required to be flexible in nature; capable of expanding, contracting and/or being renewed.
7. The core principles applied to the financial and operational requirements of the agency's non-financial asset infrastructure are derived primarily from the following legislation and standards:
 - 7.1. The *Public Governance, Performance and Accountability Act 2013* (the 'PGPA Act'), and the *Public Governance, Performance and Accountability Rule 2014* (the 'PGPA Rule');
 - 7.2. Commonwealth Resource Management Guidelines (RMGs);
 - 7.3. Standards of the Australian Accounting Standards Board (AASB); and
 - 7.4. The Department of Finance's Accounting Guidance Note No 2010/1.
8. This policy applies only to the capitalisation of expenditure relating to the agency's non-financial assets (as listed within Table 1) and stocks of inventory. The management of 'financial assets' (cash, or cash equivalent such as accounts receivable), and are not within the scope of this policy.

Policy statements***Asset recognition and capitalisation***

9. Expenditure for an asset item in the agency's control should be capitalised when:
 - 9.1. It is probable that future (i.e. beyond the current financial year) economic benefits associated with the item will flow to the agency; and
 - 9.2. The cost of the item can be *measured reliably*, and this amount is equal to, or greater than the agency's asset threshold of AUD \$5,000 (excluding GST).
10. An asset should be initially recognised and capitalised at its total purchase/construction cost or value.
11. The initial cost of an asset should include the following elements¹⁶:
 - 11.1. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - 11.2. Any directly attributable costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - 11.3. Initial estimate of costs of decommissioning, dismantling and removing the item and restoring the site on which it is located, where the agency is under an *obligation* to do so and the amount can be reliably measured (i.e. to 'make-good').
12. Examples of the types of costs that should be included in asset price:
 - 12.1. Labour costs, such as salaries and on-costs for employees and contractors arising from the construction or acquisition of the asset
 - 12.2. Costs of site preparation
 - 12.3. Initial delivery and handling costs
 - 12.4. Directly attributable tendering/procurement costs
 - 12.5. Installation and assembly costs
 - 12.6. Costs of security supervision of contractors installing, assembling, constructing, etc. assets within GBRMPA's designated secure areas/zones
 - 12.7. Costs of security inspections of new capital works projects prior to commissioning/operation
 - 12.8. Costs of acceptance testing
 - 12.9. Professional fees.

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Document originator: *Finance Manager, Finance section*

Approved by: *Chief Finance Officer, on 25-Feb-2021*

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13. Examples of the types of costs that should **not** be included in asset price:
 - 13.1. Research costs
 - 13.2. General overhead, training and other administrative costs
 - 13.3. Costs of promoting a new service (including costs of advertising and promotional activities).
14. Where an asset is acquired at no or at a nominal cost, the cost to be recognised is deemed to be the item's *fair value* as at the date of acquisition by the agency, and is accounted for as a resource received free of charge. When an asset is acquired free of charge, the Finance section should be consulted for advice on the recognition of such assets within the FMIS.
15. Assets should be capitalised in the FMIS asset register as at the date of a correctly rendered invoice. Work areas are prompted to enter the invoice date for asset acquisitions as part of the FMIS Accounts Payable process. Capitalisation flags the availability of an asset to perform its intended function and the commencement of the asset's useful life to the agency.
16. Where a down payment or deposit is made on a new asset (e.g. a vehicle), the work area will need to estimate the expected future date of arrival/availability for capitalisation commencement purposes.
17. The costs of an asset or those costs associated with the development of self-constructed assets (i.e. 'Works in Progress (WIP)') should be capitalised at the date when the asset (or sub-asset) is capable of being used in the manner intended by management.
18. An asset will increase in value and future economic benefit whereby:
 - 18.1. Additional parts (such as increasing the capacity to a server) are purchased; or
 - 18.2. Enhancements are made to internally developed software.
 Enhancements such as these may increase the asset's useful life, extending it beyond current capacity.

Heritage and cultural assets

19. Heritage and cultural assets may include items such as buildings, works of arts, artefacts and collectables which are held for their cultural, environmental or historical significance. However these assets do not include structures constructed to assist with their display, transport or storage, or buildings of historical interest that are used to provide office accommodation.
20. Where it can be demonstrated that an asset's service potential will be maintained for an indefinite period through conservation, restoration and preservation activities, the asset may be considered to have an indefinite life. This is typically undertaken through the development and implementation of rigorous and comprehensive curatorial and preservation policies.
21. AASB 116 Australian Implementation Guidance (paragraph G4) defines curatorial and preservation policies as those developed and monitored by qualified personnel, and includes the following:
 - 21.1. a clearly stated objective about the holding and preservation of items;
 - 21.2. a well-developed plan to achieve the objective, including demonstration of how the policy will be implemented, based on advice by appropriately qualified experts; monitoring procedures;
 - 21.3. periodic reviews; and
 - 21.4. endorsement and adoption by the entity's governing body.
22. Heritage assets initially acquired at no or nominal cost should be initially measured at fair value. In some cases, it may be impossible to arrive at a reliable measure of fair value.

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This may be because the asset cannot be replaced or reproduced and doesn't generate cash flows. In such cases, the heritage asset should not be recognised as an asset.

Depreciation

23. The recognition of depreciation charges is essential in identifying total cost of services and the current value of the agency's asset holdings at any point in time.
24. The depreciation method used must reflect the pattern in which an asset's *future economic benefits* are expected to be consumed by the agency¹⁶. Accordingly, the agency will utilise the 'straight line' depreciation method as it best reflects consumption of the future economic benefits assets offer, across all asset classes. Under this method, the depreciation expense is constant each financial year and therefore represents the systematic consumption of the economic benefit derived from using the asset, over its default useful life.
25. Depreciation of an asset begins at the point of capitalisation (i.e. the asset's recognition date). The rate of depreciation expense is determined by reference to the expected useful life of the asset class. Table 2 provides the default useful life for each asset class.

Table 2: Default useful life for the classes of assets within the agency

Asset class	Useful life
Land	Indefinite (not depreciated)
Buildings	10 – 50 years or lease term (including any options, where there is a reasonable expectation at the commencement of the lease that the option will be exercised), whichever is shorter
Heritage & Cultural	Indefinite (not depreciated)
Leasehold improvements	5 – 20 years or lease term (including any options, where there is a reasonable expectation at the commencement of the lease that the option will be exercised), whichever is shorter
Audio & visual	3 to 10 years
Computer hardware	3 to 10 years
Reef HQ exhibits	3 to 10 years
Furniture & fittings	3 to 10 years
Marine & diving equipment	3 to 10 years
Office machines	3 to 10 years
Scientific	3 to 10 years
Vehicles	3 to 10 years
Software	3 to 10 years

26. Technical obsolescence, accelerated wear and tear (operating conditions), etc. are all factors that can lead to the need for adopting a shorter useful life than those given in the table above. To ensure that the useful life of an asset is accurately reflected, the following factors should be considered prior to seeking Chief Finance Officer and/or Chief Information Officer for IT assets approval to amend the default useful life period;
 - 26.1. The expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output;

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- 26.2. The expected physical wear and tear, which depends on operational factors such as the repair and maintenance programme, and the care and maintenance of the asset while idle, environmental conditions, etc.;
- 26.3. Technical or commercial obsolescence arising from future changes or improvements in production, or from a change in the market demand for the product or service output of the asset; and
- 26.4. Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Grouping assets

- 27. Any group of assets purchased and maintained as a unit are to be valued on a group basis. A unit is defined as requiring its components to perform its functions. Similarly, where there is a large number of assets which individually fall below the agency's reporting threshold, but which, when grouped together represent a significant value, approval from the Chief Finance Officer should be sought to group the items for capitalisation purposes.
 - 27.1. An example of a group of assets that should be considered is bulk purchases of Assets such as computers, laptops, iPads or tablets. As these cost less than \$5,000, we purchase in bulk quantities and their useful life is greater than one year.
 - 27.2. An example of an asset that is grouped in the FMIS as one asset is a computer made up of more than one item such as monitor, keyboard, mouse and box. These are usually purchased at the same time as each other or one item replaced with all other items remaining the same.

Asset register (FMIS)

- 28. In order to enable asset planning, meet accounting standards and legislative obligations, and retain relevant information over each asset's life-cycle, the agency is to maintain an asset register within its FMIS.
- 29. The information recorded should be commensurate with the amount and role of assets within the agency, and *may* include the following¹⁴:
 - 29.1. Information about the asset (e.g., unique asset number, serial numbers, model, manufacturer, asset description, supplier, purchase order number, invoice number)
 - 29.2. Information to support asset accounting and regulatory compliance (e.g., date purchased, dates available for use, asset class, acquisition cost, valuation amount and basis, date of last valuation, depreciation method, accumulated depreciation, net book value, estimated useful life)
 - 29.3. Information to identify asset accountability (e.g., asset custodian, location, related program activity, cost center, last and next stock-take, license number and expiry date)
 - 29.4. Information about asset performance (e.g., functionality, operational importance, use, maintenance criteria, current condition, warranty and date, warranty conditions, life-cycle costs, capital work orders, maintenance work orders).

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Asset life cycle

30. The phases of the asset lifecycle are diagrammatically represented within Figure 1.



Figure 1: The asset life cycle

Asset planning

31. Asset planning is the identification of asset requirements, based on an analysis between service delivery needs and the capacity of existing assets to meet these.
32. Planning enables the efficient, effective and ethical use of assets in the delivery of strategic and operational outcomes. As assets can have a significant financial impact on the agency, asset planning should consider all activities in the asset life cycle - from identifying a need, to the costs of acquiring and maintaining the asset throughout its useful life, to the timing of final disposal and potential replacement.
33. A Capital Management Plan (CMP) is the tool utilised within the agency to inform strategic asset management decisions. Development of a CMP involves a strategic review of current and future (out to four years) capital investments including disposal for cash, trade-in, write-off of existing assets and proposed acquisitions, improvements and works-in-progress (WIP) projects.
34. Asset planning at the section level is to occur annually, coinciding with operational planning and focus on identifying current and future output and business requirements. Where appropriate, development of an asset strategy may assist. Effective asset management requires consideration of future asset performance issues such as:
 - 34.1. expected purpose and utilisation levels;
 - 34.2. technological changes and obsolescence;
 - 34.3. capacity of existing/remaining assets;
 - 34.4. risks associated with non-performance of existing and/or replacement asset(s); and
 - 34.5. matching requirements to the future business strategy of the work area.

Asset acquisition

35. Asset acquisition is the practice of accountably and transparently obtaining assets which are 'best value for money'. All asset acquisition decisions should involve the consideration of current and future business requirements, corporate policies and objectives, budgetary limitations, and ethical standards.

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36. Where assets are to be acquired via procurement and the spending of relevant money, the agency's Accountable Authority Instructions and the Commonwealth Procurement Rules must be adhered to.

Leasing

37. An 'operating lease' is similar to a rental agreement and results in the lessor retaining the costs of ownership of the asset (other than consumables). In this case the cost of the lease is treated as operating expenditure. On 1 July 2019 the Australian Accounting Standards Board has changed the accounting treatment of operating leases (AASB 16). The accounting and disclosure will be treated as finance leases.
38. A 'finance lease' is a lease where the work area is effectively the owner of the leased item and assumes any associated risks and benefits of ownership. Finance lease payments equate to the purchase price of the asset, and a finance (interest) charge.
- 38.1. An example of a finance lease arrangement is a photocopier where the agency assumes responsibility for maintenance, repairs and servicing, and has the option at the end of the lease to purchase the photocopier at a pre-determined residual value.
39. Items acquired via a finance lease which are of a value equal to, or greater than the asset threshold (AUD \$5,000) are considered reportable non-financial assets. Assets acquired via a finance lease also require approval under the CMP approval process.
40. The decision to lease an asset is a complex one, and agreement from the Chief Finance Officer must be obtained before entering into any leasing arrangement(s). Given that leasing is a complex area of accounting, subject to the requirements of AASB 16 'Leases', leasing should not be seen as a way to by-pass the agency's capital processes.

Asset operation and maintenance (subsequent expenditure)

41. Maintaining the service potential of assets over their useful life involves day-to-day decisions concerning the risks associated with unexpected failure or non-performance of an asset. The decision to repair, maintain, upgrade and/or replace an asset therefore requires consideration of this risk.
42. Asset operations include accountabilities and responsibilities, such as stocktaking and control over *portable and attractive items*. Accounting decisions such as determining expected useful life, revaluation and impairment of assets also need to be continuously reviewed over the course of an asset's life.
43. The preservation or restoration of an asset's service potential through repairs and maintenance is a day-to-day cost of operation, and it is an expense that should not be capitalised.
- Note:** "Like for like" replacement of the components of an asset are considered 'repairs and maintenance' and their cost should be expensed, rather than capitalised.
44. Where subsequent expenditure on the asset is likely to derive future economic benefit for the agency, and can be reliably measured, this kind of expenditure should be capitalised¹.
45. Generally, future economic benefit may be derived when¹:
- 45.1. an asset is enhanced - that is, subsequent expenditure results in an increase in the assets useful life, capacity, quality, or results in a reduction in operational costs
- 45.2. has major parts replaced (the replaced part should be derecognised and the replacement part capitalised as part of the fixed asset)
- 45.3. an asset undergoes a major inspection (regardless of whether any physical parts of the asset are replaced), required as a condition of using the asset
- 45.4. safety or environmental equipment are acquired in order to obtain future economic benefits from the existing asset.

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Note: Day-to-day servicing and maintenance (in order to maintain the asset's benefits where expenditure comprises primarily of the costs of labour and minor parts) do not constitute an upgrade and should always be expensed.

46. Where an asset has been upgraded, and the gross value of the upgrade is AUD \$5,000 or more, it must be recorded in the FMIS asset register. The value of an upgrade is to be added to the value of the original asset and not recorded as a separate item. Where an upgrade is less than AUD \$5,000 it should be treated as an operating expense.
 - 46.1. Example: A new \$2,500 hard drive for a server would be considered an upgrade and capitalised if the new hard drive has extended the operating life of the server. However, a microchip for the server is just restoring the unit back to its normal operating capacity and should be expensed as a repair or maintenance.

Revaluations

47. The agency must re-assess the *carrying amount* of its assets to their fair value^{16,2} on a three-year cyclical method. If there is no market based evidence of fair value; fair value is estimated using depreciated replacement cost.
48. For specialist items/groups of assets, fair value may be estimated using a depreciated replacement cost approach in order to recognise significant delivery, installation, and inspection costs often associated with such assets, but not necessarily reflected in the commercial market value.
49. To avoid selective revaluation of assets, all the items within an asset class must be revalued simultaneously¹⁶. In the context of an asset class revaluation, the carrying value of individual assets may be increased, decreased or remain unchanged.
50. Accordingly, the agency has in place a three-year cyclical revaluation program of all asset classes undertaken by an independent commercial valuer. Input from work areas may be requested in the revaluation process through provision of advice on operating conditions, commenting on market conditions, and/or taking digital images of particular assets.
51. Following completion of the independent revaluation, the Finance section will centrally adjust any revised asset values in the FMIS asset register.
52. Intangible assets are not revalued. These assets are valued at cost, due to the absence of an active market^{3,9}.

Fair value measurement

53. AASB 13 'Fair Value Measurement' establishes a single, principles-based framework for measurement of fair value when it is required / permitted by another Australian Accounting Standard. It also clarifies that 'fair value' is the current exit price (the price that would be received to sell an asset, or paid to transfer a liability¹²), rather than an entry price (the price paid to acquire the asset, or received to assume a liability¹²).
54. In order to comply with the framework for measurement of fair value, specifically the requirements relating to highest and best use, valuation premise, and the principal (or, in its absence, the most advantageous) market, the agency and their appraisers must reassess and reconsider the methods, assumptions, processes and procedures for determining fair value.
55. The exit price objective of a fair value measurement applies regardless of the agency's intent and/or ability to sell the asset or transfer the liability at the measurement date.
56. Fair value (the price in the exit market) should not be adjusted for transaction costs. Additionally, as fair value is a market-based measurement, (not an entity-specific measurement), it is to be determined on the assumptions that market participants would use in pricing the asset or liability.
57. The objective of a fair value measurement does not change based on the level of activity in the exit market or the valuation technique(s) used. That is, fair value remains a market-

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- based exit price that considers the current market conditions as at the measurement date, even if there has been a significant decrease in the volume and level of activity for the asset or liability.
58. The agency's current use of an asset is presumed to be its highest and best use, unless market or other factors suggest that a different use by market participants would maximise its value¹². If such factors exist, the agency is required to consider all relevant information in determining whether the highest and best use of an asset is different from its current use as at the measurement date.
 59. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by either using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.
 60. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:
 - 60.1. A use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property).
 - 60.2. A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property or an obligation to provide a particular service with the asset).
 - 60.3. A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows, (taking into account the costs of converting the asset to that use), to produce an investment return that market participants would require from an investment in that asset put to that use.
 61. Following completion of the independent revaluation, the Finance section will centrally adjust any revised asset values in the FMIS asset register, and include the resultant revaluation values within the financial statements each year.
 62. The agency must prepare valuations based on AASB 13 each financial year. The determination of the valuation technique(s) to be used requires significant judgement and will be dependent on the specific characteristics of the asset or liability being measured, and the principal (or most advantageous) market in which market participants would transact for the asset or liability.
 63. AASB 13 recognises three valuation approaches to measure fair value:
 - 63.1. Market approach: based on market transactions involving identical or similar assets or liabilities.
 - 63.2. Income approach: based on future amounts (e.g., cash flows or income and expenses) that are converted (discounted) to a single present amount.
 - 63.3. Cost approach: based on the amount required to replace the service potential of an asset.
 64. For consistency and comparability, the 'fair value hierarchy' (Table 3) is to be used to prioritise the inputs in a fair value measurement¹². This maximises the use of relevant observable inputs, and minimise the use of unobservable inputs. The inputs used in measuring fair value drive categorisation of the fair value measurement (as a whole) within the fair value hierarchy.
 65. In order to provide users with insight into the reliability of the fair value measurement, significant differences in disclosure requirements apply to fair value measurements categorised within each level of the hierarchy.

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Table 3: The fair value hierarchy which prioritises observable inputs

	Level 1	Quoted prices, which are not adjusted, in an active market for identical assets and liabilities that the entity can access at the measurement date
	Level 2	Inputs, other than quoted prices in Level 1, that are observable, either directly or indirectly
	Level 3	Unobservable inputs

66. Regardless of whether the valuation was compiled internally or externally, management should review and understand the inputs used in the valuation to determine their appropriate classification in the fair value hierarchy.
67. A quoted price will not be considered 'level 1' unless the market for the asset is active, and the quoted price is for an asset identical to that being valued. In most cases, fair value measurements of non-financial assets would be categorised as level 2 or 3 on the basis that it is rare for identical assets to be actively traded.
68. Level 2 inputs include quoted prices (in non-active markets or in active markets for similar, but not identical assets or liabilities), observable inputs other than quoted prices and inputs that are not directly observable, but are corroborated by observable market data.
69. However, when an observable input is adjusted to reflect differences between the asset being valued and the observed transaction, depending on the significance of the adjustment it may cause the measurement to be categorised as a Level 3 measurement instead of a Level 2 measurement.
70. Where the valuation is based on unobservable inputs, categorisation will be in level 3 of the fair value hierarchy. An example of unobservable input-based valuation may include for transport and utility infrastructure (such as electricity, gas and ports) which could be valued based on the income approach, using a discounted cash flow method.
71. When selecting the most appropriate inputs to a fair value measurement from multiple available values, those that maximise the use of observable data, rather than unobservable data, must be selected. Care should, therefore, be taken in using a cost approach to measure fair value without appropriate consideration of the available observable inputs. Even in a market that is inactive, a not-for-profit or public sector entity should not presume that the transactions in that market do not represent fair value or that the market is not orderly. Accordingly, the agency will need to consider the individual facts and circumstances in making this assessment.

Asset impairment and useful life

72. The agency must assess whether its non-financial assets (other than inventories) are impaired (i.e., where assets are recorded in the asset register at higher than their recoverable amount)⁴. The 'recoverable amount' of an asset is defined as the higher of its fair value, less disposal costs (costs directly attributable to the disposal of an asset or cash-generating unit under review and other cash-generating units) and its value in use (an estimate of the present value of the future cash flows expected from an asset)⁴.
73. To address this requirement, the agency requires sections to assess impairment of assets as part of the annual asset stocktake process. Sections are required to determine whether any assets are impaired and if so, to categorise this impairment as one of the following categories:
 - 73.1. Physical damage and obsolescence impairment – where the asset has suffered physical damage, or is to become obsolete shortly and earlier than anticipated
 - 73.2. Usage impairment – where significant changes have impacted on the work area resulting in a previously used asset becoming idle, significantly under-utilised or where there are plans to dispose of the asset ahead of its normal useful life

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- 73.3. Economic performance impairment – where the performance/capability of the asset is/will be worse than expected.
74. Where an asset is determined to be impaired, sections are required to assess whether the carrying book value accurately reflects the fair value of the asset given local conditions, and/or whether the remaining lifespan of the asset remains valid.
75. The agency (via the Finance section), will include within its annual financial statements whether any external indicators of impairment of individual or groups of assets have been considered. Indicators that should be considered include:
- 75.1. Significant decline in an asset's market value a result of the passage of time or normal use
- 75.2. Significant changes with an adverse effect in the technological, market, economic or legal environment in which the entity operates, or in the market to which an asset is dedicated
- 75.3. Increase in market interest rates or other market rates of return on investments which are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
76. Impairment testing undertaken by the agency is independent of any revaluation reviews.

Stocktake

77. Correct stocktaking on a regular basis is an essential element of asset management and accountability. Stocktakes of reportable non-financial assets are required on an annual basis, in accordance with the annual Financial Statements timetable produced by the Finance section.
78. The objectives of the stocktaking process are to:
- 78.1. Ensure that all agency-owned, non-financial assets valued at AUD \$5,000 or more are identified and recorded in the FMIS asset register;
- 78.2. Ensure that all assets recorded in the FMIS asset register are in existence and in use;
- 78.3. Identify assets that are surplus to requirements and may subsequently be disposed;
- 78.4. Identify obsolete and/or damaged assets that should be disposed of and removed from the FMIS asset register; and
- 78.5. Identify assets that have been missing for two consecutive stocktakes and subsequently should be removed from the FMIS asset register.
79. All stocktakes should initially be undertaken independently of the FMIS asset register records and then compared to the FMIS asset register to identify unrecorded or missing items.
80. Any apparent discrepancies between the stocktake and the FMIS asset register listing are to be thoroughly investigated in order to maintain the integrity of information within the asset register.
81. For any asset(s) which has been classed as missing for two consecutive stocktakes, the circumstances must be reported and investigated in order to identify whether formal write-off action may be pursued.
82. For any asset(s) which has been suspected as stolen, the circumstances must be reported to the Fraud Liaison Officer in accordance with the agency's fraud control policy and plan.

Loss of assets

83. Loss or damage to an asset must be reported to a General Manager and to the Chief Finance Officer and also to Chief Information Officer for IT equipment. A [Loss or Damage Report](#) must be completed.

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84. Loss of any security related assets must be reported to Chief Finance Officer and any IT equipment to the Chief Information Officer as soon as possible.
85. Where an official had nominal custody of an asset at the time it was lost or damaged, the loss or damage must be reported in writing by the official, to their immediate supervisor.
86. The immediate supervisor is responsible for investigating the circumstances surrounding the loss or damage and reporting this to the Chief Finance Officer. However, where the loss or damage involves suspected fraud (e.g., theft), this should be reported to the Fraud Liaison Officer in accordance with the agency's fraud control policy and plan.
87. Officials must take all reasonable steps to prevent loss or damage to an asset in their custody. If the official does not take all reasonable steps to prevent loss or damage to an asset in their custody, the official may be liable to pay the Commonwealth an amount to recover the loss or damage.
88. Where an official's misconduct (or deliberate and serious disregard of reasonable standards of care) caused or contributed to the loss/damage, the matter is to be referred to the Chief Finance Officer for investigation. If the official's misconduct or disregard was proven not to be the sole cause of the loss/damage, the official may only be liable to pay an amount which is just and equitable, having regard to the official's share of the responsibility for the loss/damage.

Asset disposal

89. Effective management of asset disposal ensures that the expected service and output requirements are maintained while minimising the holding of surplus and/or under-performing assets. Correspondingly, assets may be disposed of for a variety of reasons, including end of useful life, surplus to requirements, under-utilisation, not fit for purpose, unserviceable, or no longer meets legislative requirements¹⁴.
90. When an asset is no longer required, the method of disposal should result in the best net outcome for the agency (which may not equate to the highest dollar return). Agency assets may be disposed of through the following methods:
 - 90.1. Sale by public auction or silent bid process within the agency
 - 90.2. Tender
 - 90.3. Transfer to another area within the entity or to another entity
 - 90.4. Trade-in
 - 90.5. Write-off (where assets are determined to be unserviceable, worn out or obsolete; or where assets have been lost or damaged)
 - 90.6. Demolition or destruction, or
 - 90.7. Gifting/ donation
91. The decision to dispose of an asset needs to be considered in light of any asset replacement strategy, as this will impact on the potential net outcome (in the case of trade-ins) and the timing of the disposal. Additionally, planning for any significant disposal should demonstrate consideration of:
 - 91.1. Reasons for disposal (having regard to factors within clause 96 below)
 - 91.2. Proper costings and evaluation of disposal alternatives to identify the most appropriate
 - 91.3. Expert assistance to provide professional valuation and disposal
 - 91.4. Due diligence review to ensure sufficient transparency and accountability for asset disposal (including compliance with legislative requirements), and
 - 91.5. Proper approval for the disposal¹⁴.

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92. For details of disposal procedures to be followed, contact the Chief Finance Officer. It is important that officials, or others involved in the disposal process, do not gain a personal benefit through any proposed asset disposal method.
93. In determining the most appropriate method of disposal, the Chief Finance Officer will consider security issues, the potential external market, the potential to support other programs, environmental issues, transfer costs, recommendations by staff etc. Disposal options may include but not limited to:
 - 93.1. Auction via third party; or
 - 93.2. Disposal at recycling premises or tip; or
 - 93.3. Selling via silent bid to staff.
94. An [Asset Disposal Form](#) must be completed and approved by the relevant Director and forwarded to the Chief Finance Officer or Finance Manager for approval prior to the disposal. The Finance Section will update OneFMA or TheDock where relevant for the disposal.
95. Disposal of any security assets must be approved by Agency Security Advisor and/or the Chief Finance Officer.
96. Additionally, during the asset stocktake process, the Finance section (in consultation with responsible sections) will consider such factors as;
 - 96.1. Technological obsolescence
 - 96.2. Items beyond repair, or where the cost of repair outweighs the expected future service benefits
 - 96.3. Items not expected to be utilised in the medium to long term, and/or
 - 96.4. Conformity with workplace and/or WH&S requirements.
97. For assets that are surplus to requirements and have heritage, historical or cultural significance, the Finance section should be advised, and full details of the asset provided, before any action is taken.

Profit/ loss on sale of assets

98. For assets purchased from capital funds, any profit/loss on subsequent sale of assets is to be returned to the agency's bank account. The Chief Finance Officer will monitor the disposal of these assets to determine whether returns on disposals are in line with that advised as part of the CMP process (where applicable), and whether sections have consciously pursued the best net outcome for the agency from the disposal.
99. Finance section should be advised as early as possible if a significant loss on sale of an asset is expected and/or where the loss will be greater than forecast by the work area as part of the CMP process.
100. The profit or loss arising from the sale of an asset is determined as the difference between net sale proceeds, if any (that is, proceeds minus costs of selling, such as auctioneer, freight, transfer etc.), and the carrying amount of the item, even if that amount is zero. Where direct sales costs are expected to be significant, the Chief Finance Officer should be consulted before any disposal action is undertaken.

Intangible assets and intellectual property

101. Within the agency, intangible assets generally relate to software purchased 'off the shelf' (externally developed software), and software that has been developed 'in house' (internally developed software). Patents, copyrights, trademarks and intellectual property may also be considered 'intangible assets' so long as they are identifiable and future economic benefits are expected to flow (e.g., revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the agency)⁹.

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Externally developed software

102. For externally acquired/licensed software there is currently a great deal of variability in the pricing models used by software companies and the amount to be capitalised should reflect the particular contractual conditions of the software. Generally, the installation costs and associated expenses incurred in getting the software ready for use are capitalised along with the initial acquisition price. Costs incurred prior to purchase and after installation, such as support or maintenance fees, should not be capitalised.
103. For some categories of externally acquired software there is an upfront charge that enables the agency to have ongoing access to the software product for a specified period of time. If this amount is over the general asset threshold of AUD \$5,000, then the costs associated with this purchase should be capitalised and depreciated either over five years, or the expected life of the software package (whichever is the lesser).
104. For some enterprise-based arrangements (e.g. the Microsoft Office suite) the asset may not be the software itself – but the right to use multiple copies of the software (i.e., 'licencing'). In these kinds of circumstances the decision regarding what to capitalise should be considered in light of contractual arrangements. If the contract contains an ongoing maintenance agreement, prepayment and *amortisation* over the year/s of its useful life will be established.
105. Ongoing annual maintenance and licensing costs are to be separated from the initial acquisition licensing and should be expensed as incurred (or a prepayment recorded if payment is made in advance). If the maintenance/licence payment is for more than one month, then the payment should be treated as a prepayment and expensed over the course of the maintenance/licence period.

Internally developed software

106. Sections should initially capitalise internally developed software at the full cost of development or acquisition. All costs directly traceable to the asset should be capitalised.
107. All costs incurred during the 'research stage' of internally developed software (e.g., activities relating to obtaining knowledge, evaluating alternatives, searching for materials or products, and making selection decisions) should be expensed when they are incurred, and are not recognised as an asset^{5, 9}.
108. Costs incurred during the 'development stage' should be capitalised when the agency can demonstrate all of the following:
- 108.1. That future economic benefit is expected (for the agency) because of the software - including how these benefits will be generated, and the software's internal usefulness
Note: 'Probability' of expected future economic benefits is to be assessed using reasonable, supportive assumptions which represent a best estimate of the economic conditions that will exist over the asset's useful life.
- 108.2. The ability to measure reliably the expenditure attributable to the software during its development
- 108.3. The technical feasibility of completing the software so it will be available for use
- 108.4. An intention and ability to complete and use the software
- 108.5. The availability of adequate technical, financial and other resources to complete the software's development⁹.
109. Table 4 identifies three stages of a software development project, and provides guidance on whether to capitalise or expense various costs. The list is not exhaustive, and assumes the requirements to capitalise (at clause 108) have been met.

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Table 4: Stages of internally-developed software and whether to expense or capitalise costs^{9,5}

Stages of Software Development Cycle	Expense	Capital (intangible asset)	Capital (property, plant, equipment)
Research stage			
User testing of existing software to inform a business case	✓		
Consulting fees	✓		
Staff costs	✓		
Development stage			
Off the shelf system		✓	
Administration costs not directly related to development	✓		
Project governance / stakeholder meetings	✓		
Consultant/supplier fees and costs - design, construction, development or testing		✓	
Staff costs (including project managers) - development, testing		✓	
Staff costs (including project managers) - not directly related to the project (e.g., attending training)	✓		
Depreciation of software licences and computers required for development or testing		✓	
Equipment - other (e.g., printers, PC's etc.)			✓
Data migration costs (test data used for system testing)		✓	
Data migration costs (outside of system testing, including project manager costs for planning data migration and/or training)	✓		
Initial pilot to test feasibility prior to developing final system capable of being used		✓	
Inefficiencies in development (e.g., where a system is developed to do xyz, but a later decision results in z being abandoned; the costs related to z could not be capitalised)	✓		
Implementation stage			
Replacement of computer terminals (even if old terminals cannot accept the new software)			✓
Training - staff costs	✓		
Advertising and promotional costs	✓		
Manuals (development at any stage)	✓		
Post-implementation reviews	✓		

110. Administrative and other general overhead costs are usually expensed, unless the expenditure can be directly attributed to preparing the asset for use. In such cases, the costs can be capitalised as a component of the intangible asset. Prior to the commencement of the project, a work area should establish what costs could be directly attributable to the development of the asset, and determine the method(s) to reliably measure such costs. Proposals to capitalise administrative and general overhead costs should be clearly detailed in the work area's CMP submitted for approval, if these costs cannot be absorbed.
111. Table 5 below provides further detail of the nature of software development expenditure over the course of its development and release.

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Table 5: Software development expenditure recognition

Stage	Description	Capital or Expense	AASB Ref
General	Non-project specific allocation Non-productive administrative time (for example filling out flex sheets, team meetings etc.) Leave and public holidays. Other overheads (rent, etc.)	Expense	AASB 138.29 AASB 116.19
General	Project management (research through to project acceptance) Project planning Project co-ordination Project management Scoping and planning for the project	Expense	AASB 138.54
Research	Development of business case (until approval has been given this is not a project) Requirements analysis (feasibility and pilot) Change and communications management activities Business requirements and functional specifications Scoping - The process of defining the scope of exactly what tasks the system is going to be required to perform. Quality assurance and review	Expense	AASB 116.21 AASB 138.29 AASB 138.54
Development	Design specification (Applications Development Stage) Design - Creation of the design specification Prototyping and piloting to test feasibility prior to developing final system to be utilised Quality assurance and review Test planning - The process of planning a regime whereby the functionality and accuracy of that which is to be tested can be assessed to the fullest extent possible with the resources available.	Capital	AASB 116.17 AASB 138.57
Development	Building and testing software Using the design and architecture Creating the software Documenting the building process Any directly attributable tendering/procurement costs Test (including costs of data migration for specific test data only used for system testing)	Capital	AASB 116.17 AASB.138.57 AASB.116.16
General	Directly attributable project management costs (from project acceptance, development through to completion) Project co-ordination Project management	Capital	AASB 138.57 AASB 116.16
Development	Test and integration Build and test assets individually and within the context of a system	Capital	
Development	Acceptance testing and integration into production	Capital	

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Stage	Description	Capital or Expense	AASB Ref
	Formal acceptance and migration into a production environment system.		
Implementation	Data migration (outside of that undertaken for system testing)	Expense	
Implementation	Training – The delivery of training to the end user	Expense	AASB 116.19
Implementation	Development and dissemination of user manuals	Expense	
Implementation	Operation and maintenance – Continued use and maintenance of the system	Expense	

112. Amortisation of the final internally developed software asset begins when it is completed and ready for its intended use. Computer software is considered ready for its intended use after all substantial testing/piloting is complete and the system has been transferred from the development or testing environment to the operational environment. At this stage the Works in Progress is settled to the appropriate asset class in FMIS which allows amortisation to commence.
113. Note that after capitalising the asset, the internally developed software project may continue and further costs may be captured. Costs captured after capitalisation will only be added to the asset's value where it can be demonstrated that:
- 113.1. costs could not be captured earlier, or
 - 113.2. significant development work was required immediately after initial implementation.
114. If a software project is completed and ready for use, but actual use is deferred (e.g. because of logistical problems or because legislation (for which it was written) has not been passed or come into effect), then amortisation will not begin until the reason for deferral is addressed. If an item is complete and available for its intended use but is not yet in use, then amortisation will begin from the date of availability.

Intellectual property

115. Intangible assets are not restricted to software, and can cover intellectual property (IP) developed and/or purchased by the agency. IP Australia defines IP as an entity's "proprietary knowledge", and in the agency's case would commonly relate to the copyright of original material in literary, artistic, dramatic or musical works, films, broadcasts, multimedia and computer programs.
- 115.1. Example: The Commonwealth may hold the intellectual property in the form of copyright for a video produced detailing Great Barrier Reef Climate Change awareness.
116. The recognition of and accounting for intellectual property as an intangible asset is complex. Sections must consult the Finance section as soon as they consider IP may have been generated, and application of 'Australian Accounting Standards Board Standard 138 (Intangible Assets)' will be considered.

Works in Progress (WIP)

117. Any project involving the anticipated generation of an asset, occurring over one month or more, will require the creation of a 'Works in Progress' WIP in FMIS. This allows costs associated with the project to be held in the balance sheet without depreciating until such time as the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.
118. All capital projects should be assessed by the Project Manager in consultation with the Finance Manager to determine whether or not it is appropriate to create a WIP account. Usually where an asset is being built, enhanced or deployed, the use of a WIP account will be appropriate.

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119. Examples of capital projects where a WIP account should be utilised include the following, where their construction occurs over more than one month:
- 119.1. Leasehold improvements and fit-outs;
 - 119.2. Reef HQ building improvements;
 - 119.3. Internally developed software; and
 - 119.4. Purchased software requiring configuration, testing, documentation or implementation to occur before it is ready for intended use.
120. The agency adopts the accounting principle of progressively recognising revenues and expenses associated with non-financial asset projects over the period of acquisition or construction. Project costs are recognised at the time the related project activity has been performed and are determined by reference to invoices received and/or as a proportion of work performed to date (for accruals).
121. As a general rule, capitalisation should occur at the point when the asset (or sub-asset) is capable of being used in the manner intended by management (this is the point of capitalisation). Only when assets have reached the point of capitalisation will depreciation commence. Until the point of capitalisation, costs incurred for the development of self-constructed assets are to be accounted for against the WIP's General Ledger (GL) Account.
122. Where a project relates to a number of separately identifiable components, each component may be capitalised upon completion where ready for use and/or the economic benefit associated with the component is expected to flow to the agency. This capitalisation process can occur even though other components of the project are not completed. Depreciation commences from the time the completed component of the project is capitalised and first put to use or held ready for use by the agency.
123. It is important that sections regularly review WIP balances under their control to ensure timely capitalisation and recognition of the final asset or its components in the FMIS asset register. It is not possible to capitalise and depreciate WIP items in the FMIS asset register for financial periods prior to the current financial year.
124. Prior to the commencement of a major acquisition/project, sections need to establish in the FMIS a WIP activity code to carry all relevant project costs. 'Direct Capitalisation WIP' is the simplest form of WIP, where costs are directly charged to the WIP and are capitalised as required to reflect the availability of the asset to perform its intended function(s).
125. Sections considering the use of a WIP to record and manage the financial related aspects of the project should seek prior advice from Finance section.

Leasehold improvements

126. Leasehold improvements include fit-outs, security enhancements and/or renovations of leased office accommodation. Examples of leasehold improvements include recarpeting, painting and structural improvements to a leased property upon commencement of a lease (initial office/residential fit-out), and any subsequent refurbishment of office leased accommodation. Leasehold improvements also include immovable fixtures (e.g. the installation of air-conditioning or CCTV security systems).
127. If the value of a leasehold improvement is AUD \$5,000 or more it must be recorded as an asset. Leasehold improvements are initially recorded, at cost, as one (grouped) asset per leased property, with further improvements being added to the asset as they occur.
128. The asset value of a leasehold improvement is determined as follows:
- 128.1. Initial fit-out or refurbishment/renovation of a leased property:
 - (a) The value is the total cost of the components of a fit-out, refurbishment or renovation project. If the cost of the project totals AUD \$5,000 or more, the

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fit-out/refurbishment is to be recorded on the asset register as a leasehold improvement;

- (b) The value of a fit-out or refurbishment is the total cost of the freight, materials, installation and labour for carpeting, painting, lighting, window treatments of a fixed nature (tinting, security features), plumbing and any other structural alterations (barriers, security doors, counters, etc.); and
- (c) The initial estimate of the costs of dismantling and/or removing the fit-out and the costs of restoring/making good the leased property at the end of the lease.

128.2. Immoveable fixtures:

- (a) The value for immoveable fixtures consists of the total cost of freight, materials, installation and associated labour costs.

- 129. Leasehold improvements do not include moveable furniture and fittings. Items such as whitegoods and furnishings like rugs, tables etc. do not form part of a leasehold improvement. These items should be assessed individually and recorded separately (i.e. as furniture and fittings) in the asset register, if their cost is AUD \$5,000 or more.
- 130. If, at the commencement of a renovation project, the projected cost is AUD \$5,000 or more, all payments contributing to the cost of the associated leasehold improvement, even where payments individually may not equal AUD \$5,000 or more, are to be recorded against a leasehold improvement asset.
- 131. After initial recognition as assets, leasehold improvements are revalued every three years. Any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the asset's gross carrying amount, so that the net carrying amount of the asset after revaluation equals its revalued amount.
- 132. Maintenance and repairs do not fall within the definition of a leasehold improvement, and should therefore be expensed. For example, the repainting of offices undertaken as maintenance, rather than as part of a refurbishment project, would not be considered a leasehold improvement.
- 133. Leasehold improvements must be depreciated using the straight line method over the unexpired period of the lease term or 10 years, whichever is the shorter. The term of lease includes any options, where there is a reasonable expectation at the commencement of the lease that the option will be exercised.

Make-good

- 134. As per Resource Management Guide 114 ([Accounting for decommissioning, restoration and similar provisions \('make good'\)](#)), agencies may have obligations to dismantle, remove and restore items of leased property, plant and equipment - often referred to as 'make-good' obligations. The associated liabilities for make-good obligations are measured both initially and subsequently.
- 135. Provisions for make-good obligations are to be recognised and recorded as liabilities when:
 - 135.1. The agency has a present obligation ([legal](#) or [constructive](#)) as a result of a past event, and
 - 135.2. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
 - 135.3. A reliable estimate can be made of the amount of the obligation¹⁵.
- 136. Provisions for make-good obligations are also required to be recorded as liabilities for budget purposes³, although funding would not normally be provided to agencies until such time as payment is required to be made⁶.

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137. The cost of an item of property, plant and equipment is to include an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used it during a period for purposes other than to produce inventories during that period^{6,16}. This initial estimate of the provisions associated with make-good obligations is based on a square metre rate by a valuer, or best estimate of the expenditure required to settle the present obligation at the end of the financial reporting period. Examples of costs associated with make-good obligations include:
- 137.1. Dismantling: the cost of taking apart a piece of machinery to allow for its removal from the site.
 - 137.2. Removing: the cost of transporting a material to a disposal facility, due to a condition of purchase that it must be disposed of in a particular manner.
 - 137.3. Restoration: the cost of returning a floor of a building to its original condition as per lease agreement.
138. Subsequent measurement by the valuer (using cost model of the make-good component of assets) are to be taken as the present value of the amount required to settle make-good obligations at the end of the financial reporting period. This value is then added or deducted from the cost of the related asset, with the adjusted depreciable amount being depreciated over its useful life⁷.
139. The periodic unwinding of the discount (as per [Resource Management Guide 114](#), 'Accounting for decommissioning, restoration and similar provisions ('make good)'), shall be recognised in profit or loss as a finance cost as it occurs; it cannot be capitalised⁷. The unwinding of the provision should be recognised before revising the provision at year end⁶.

Inventory

140. The agency holds physical inventories for sale or distribution within Reef HQ (shop items). These inventory items must be considered for recognition as a non-financial asset, measured at the lower of cost and net realisable value¹³.
141. Like other non-financial assets, the cost of inventories should comprise all costs of purchase (other than any refundable taxes), costs of conversion and other costs incurred in bringing the inventories to their present location and condition¹³.
- 141.1. Examples of costs included in the cost of inventories are import duties, transport costs, handling and other costs directly attributable to the acquisition of the finished goods, materials and services.
Note: Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.
 - 141.2. Examples of costs excluded from the cost of inventories (and recognised as expenses in the period in which they occur) are abnormal amounts of wasted material, labour or other production costs, storage costs (unless they are necessary in the production process before further production), administrative overheads that do not contribute to bringing inventories to their present location and condition, and selling costs.
142. Inventories are subject to the same management and accountability principles and practices as other non-financial assets. As such, the following apply:
- 142.1. Stocktakes of inventories should be undertaken, at a minimum, annually as part of the agency's asset stocktake process.
 - 142.2. Decisions on the disposal of inventories should be in accordance with the '[asset disposal](#)' portion of this policy and plan, and aim to achieve the best net outcome for the agency. The best net outcome may not necessarily mean the highest dollar return.

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Portable and attractive items

143. Non-consumable, non-depreciable tangible assets valued below AUD \$5,000 which are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale are referred to as 'portable and attractive' items. Portable and attractive items will not be capitalised, but will be registered.
144. Responsibility and accountability for portable and attractive items is devolved to any section Director who holds such items on behalf of the agency. All officials and contractors have an obligation to ensure that such items are safeguarded at all times. This may include storage of items in a secure location, area or in a locked cabinet.
145. The acquisition of portable and attractive items which intend to be connected to the agency's information technology network at any time, must have received prior approval from the Chief Information Officer. Assistant Director, IT Operations is responsible for the oversight of all orders placed through the WoG panel arrangement, which includes mobile devices and other IT equipment. Staff ordering from the WoG panel are required to seek approval of their proposed orders from the Assistant Director, IT Operations; Manager, Governance and Security; or the CIO. This is in line with the IT mobile device ordering process workflow
146. Upon receipt of a portable and attractive item, the responsible section Director must upload all relevant details via [TheDock](#) (as per their '[accountabilities/ responsibilities](#)'). A barcode may be provided by Finance to assign and affix to the portable and attractive item.
147. The portable and attractive register located within [TheDock](#) is to be maintained by relevant section(s), overseen by the Finance section and may contain, but not limited to, the following metadata information:
- 147.1. A description of the item;
 - 147.2. A designated custodian for the item;
 - 147.3. The physical location of the item;
 - 147.4. The Finance barcode number (if applicable); and
 - 147.5. The serial number of the item.
148. Registration of all information and communications technology equipment which meets the definition of a portable and attractive item will be the responsibility of the Information Technology section as per Table 6: Table of accountabilities and responsibilities, and in accordance with this policy and plan.
149. Outcomes of the annual stocktaking process will be provided to the Finance Manager, citing any issues (such as discrepancies, losses etc.) and accompanied by an action plan (where required) to address any identified opportunities for process improvement.
150. Any portable and attractive items that are required outside the normal workplace may be assigned as personal issue item to an official (e.g. a mobile phone and tablet issued to an official on commencement in a position or the temporary loan of a laptop to an official). The relevant section or IT (dependent upon equipment) will record such items as personal issue, upon receipt of written approval from the relevant section Director or CIO for IT equipment. Removal of items from the agency without approval is considered 'unauthorised removal of government property' which may be subject to investigation in accordance with the agency's fraud control policy and plan.
151. Disposal action may be required where portable and attractive items are surplus, under-performing, unserviceable or have been superseded with more recent technology. Where disposal action is to be taken, it is to be consistent with the [asset disposal](#) portion of this policy and plan, and the [Asset Disposal Form](#) containing, but not limited to, the following information:
- 151.1. A description of the item being disposed of;
 - 151.2. The barcode (if available) and serial numbers of the item;

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- 151.3. The physical location of item;
 - 151.4. The reason for disposal; and
 - 151.5. Recommended method of disposal.
152. Relevant disposal options and actions will be carried out by the Finance section, with prior approval from the Chief Finance Officer or Finance Manager. Upon receipt of proceeds of disposal (if any) or approval of other disposal methods, the item(s) will be updated from the [TheDock](#) portable and attractive register by the responsible section.

Accountabilities / responsibilities

Note: Officials and contractors may have accountabilities / responsibilities in more than one group.

Table 6: Table of accountabilities and responsibilities

Group	Accountabilities / responsibilities
Accountable Authority	(a) As per s15 of the <i>Public Governance, Performance and Accountability Act 2013</i> , accountable for governing the agency in a way that promotes proper use and management of public resources. That is, in a way that promotes the achievement of the purposes of the agency and is efficient, effective, economical, ethical, and financially sustainable.
Executive Management Group (EMG)	(b) Responsible for an observably high level of commitment to asset management in order to facilitate the proper use and management of public resources (in a way that is efficient, effective, economical, ethical, financially sustainable and supportive of the purposes of the agency). (c) Responsible for the consideration (and subsequent decision-making) of Capital Management Plans submitted by sections as part of the annual budget process.
Senior Management Team (section Directors)	(d) Responsible for the annual preparation of Capital Management Plans (by March/ April each year, as part of the budget process) for the acquisition and/or management of assets required for the operational delivery of strategic objectives. Note: Changes to capital allocations outside the annual budget process may occur in exceptional circumstances; however approval must be sought initially from the Chief Finance Officer and then subsequently from the agency Chairman. (e) Responsible for including all reportable assets and portable and attractive items purchased or received by their section (including those purchased from budgets provided by other areas of the agency, such as approved project funds) within the FMIS asset register. (f) Responsible for the ongoing maintenance of their section's asset register, including ensuring asset locations are up to date, asset descriptions are sufficient to aid identification and stocktake, and that disposal/ deactivation of assets is undertaken in a timely manner. (g) Responsible for assessing the impairment of their section's assets as part of the annual stocktaking process. Where assets are impaired, the carrying book value should be amended if needed, so

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Group	Accountabilities / responsibilities
	it accurately reflects the 'fair value' of the asset, given local conditions and/or whether its remaining lifespan remains valid.
Information Management and System Technologies section	<p>(h) Responsible for managing portable and attractive information and communication technologies on behalf of the agency by:</p> <ul style="list-style-type: none"> i. Registering and tag all portable and attractive information and communication technologies onto the 'portable and attractive register' as they are received into the agency ii. Undertaking an annual stocktake of portable and attractive information and communication technologies and reflecting resultant changes (e.g., transfers and disposals) within the 'portable and attractive register', and iii. Maintaining a register of portable and attractive information and communication technologies which have been issued for personal use.
Chief Finance Officer	<p>(i) Responsible for an observably high level of commitment to asset management in order to facilitate the proper use and management of public resources (in a way that is efficient, effective, economical, ethical, financially sustainable and supportive of the purposes of the agency).</p> <p>(j) Responsible for entering information on all finance leases into the FMIS asset register.</p>
Finance section	<p>(k) Responsible for managing the revaluation program of all asset classes via an independent commercial valuer.</p> <p>(l) Responsible for the general maintenance and quality assurance of the agency's FMIS asset register, particularly following the annual stocktake process, asset revaluation and impairment management.</p>
Officials who supervise other officials	(m) Responsible for complying and managing non-compliance to this policy and any other actions implemented for the management of assets (including portable and attractive items).
All officials	(n) Responsible for complying with this policy and any other actions or directions implemented for the management of assets (including portable and attractive items).

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Appendix 1 – Definitions and related material

Definitions

Term	Definition
Asset	Means a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity ⁸ . Assets are distinguished between non-financial and financial. An entity controls an asset if it has the power (normally stemming from legal rights, enforceable in a court of law) to obtain the future economic benefits flowing from it and to restrict the access of others to those benefits ⁹ .
AUD	Means Australian dollar(s).
Capitalised/capitalisation	Means recognising a cost as part of the cost of an asset ⁸ .
Carrying amount	Means the amount at which an asset is recognised in the statement of financial position ⁸ after deducting any accumulated amortisation and impairment losses ⁹ .
Contractor (or contracted service provider) for a Commonwealth contract	Means: a) A person who is a party to the Commonwealth contract and who is responsible for the provision of services to a Commonwealth entity under the Commonwealth contract; or b) A subcontractor for the Commonwealth contract ¹⁰ .
Depreciation (or 'amortisation' in relation to an intangible asset)	Means the systematic allocation of the depreciable amount of an asset over its useful life ⁸ . In simple terms, it is the accounting process of systematically allocating the cost less the estimated residual value of an asset over its expected useful life ¹¹ .
Fair value	Means the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants, at the measurement date ¹² . Fair value is further clarified to be the current exit price (the price that would be received to sell an asset, or paid to transfer a liability ¹²), rather than an entry price (the price paid to acquire the asset, or received to assume a liability ¹²).
Future economic benefit	Means the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative manufacturing process lowers the cost of production ⁸ . Future economic benefit flowing from an asset may include revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity ⁹ .
Intangible asset	Means an identifiable non-monetary asset without physical substance (e.g., computer software, patents, copyrights, licences, intellectual property rights) from which future economic benefits are expected to flow to the entity, and the cost of which can be reliably measured ^{8,9} . An intangible asset is identifiable if it either: a) is separable (i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either

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Term	Definition
	<p>individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so); or</p> <p>b) arises from contractual or other legal rights (regardless of whether those rights are transferable or separable from the entity or from other rights and obligations)⁹.</p> <p>While intangible assets may have a physical component to them, their future economic benefit generally is derived from the intellectual property they contain (e.g., software), or the rights they confer (e.g., patents, copyright).</p>
Internally developed software	<p>Means software developed by the agency, or that is purchased by the agency but is significantly modified for internal use⁵.</p> <p><i>Internal use</i> means use where there is no substantive plan in existence, or being developed, to market the software externally during the software's development⁵.</p>
Inventories / inventory	<p>Means assets held for sale in the ordinary course of business, or in the production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. 'Inventories' encompass:</p> <p>a) goods, merchandise, land and other property purchased and held for resale</p> <p>b) finished goods produced or works in progress being produced by an entity</p> <p>c) materials and supplies awaiting use in the production process</p> <p>d) costs of service provision (labour/ personnel and attributable overheads) for which an entity has not yet recognised the related revenue^{13,14}.</p> <p>Inventories usually have a high turnover rate and low individual value compared to other asset categories¹⁴.</p>
Liability/ liabilities	<p>Means a present obligation of the agency arising from past events, the settlement of which is expected to result in an outflow from the agency of resources embodying economic benefits¹⁵.</p>
Non-financial asset	<p>Means tangible and intangible assets.</p>
Obligation, constructive	<p>Means an obligation that derives from the agency's actions where,</p> <p>a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the agency has indicated to other parties that it will accept certain responsibilities; and</p> <p>b) as a result, the agency has created a valid expectation on the part of those other parties that it will discharge those responsibilities¹⁵.</p>
Obligation, legal/legislative	<p>Means an obligation that derives from a contract (through its explicit or implicit terms), legislation, or other operation of law¹⁵.</p>
Official	<p>Has the same meaning as provided for in section 13 of the <i>Public Governance, Performance and Accountability Act 2013</i>.</p>
Portable and attractive item	<p>Means non-consumable, non-depreciable tangible asset items valued below AUD \$5,000 which are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale. Examples</p>

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Term	Definition
	of portable and attractive items include cameras (digital/film/video), mobile phones, scanners, GPS devices etc.
Reliable measurement or measured reliably	Typically means the purchase price, market valuation value, or value derived from valuation experts. Assets acquired at no cost are recognised initially at fair value at the date of control. Where reliable measurement cannot be established, the asset should not be recognised ¹⁴ .
Tangible asset	Means an item of property, plant or equipment held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, from which future economic benefits are expected to flow to the entity, and the cost of which can be reliably measured ¹⁶ .
Useful life	Means either the period over which an asset is expected to be available for use by an entity; or the number of production or similar units expected to be obtained from the asset by the entity ⁸ . The useful life of an asset may be different to the period of its physical life ¹⁴ .

Related legislation / standards/ policy

- *Public Governance, Performance and Accountability Act 2013*
- *Public Governance, Performance and Accountability Rule 2014*
- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
- Commonwealth Procurement Rules
- Department of Finance, Accounting Guidance Note No. 2010/1
- AASB 13: Fair Value Measurement
- AASB 102: Inventories
- AASB 116: Property, Plant & Equipment
- AASB 117: Leases
- AASB 136: Impairment of Assets
- AASB 138: Intangible Assets
- AASB 1049: Whole of Government and General Government Sector Financial Reporting
- Internal policy, 'Communications and Information Devices - Acceptable Use'
- Internal policy, 'Vehicle Usage - Fleet'
- Internal procedure, 'Vehicle Usage - Fleet'

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- 2 Australian Accounting Standards Board. 2013, *AASB 117 Leases*. Commonwealth of Australia, Melbourne.
- 3 *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
- 4 Australian Accounting Standards Board. 2014, *AASB 136, Impairment of assets*, Commonwealth of Australia, Melbourne.
- 5 Department of Finance. 2014, *Resource Management Guide No. 109, Accounting for internally developed software*, Commonwealth of Australia, Canberra.
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