



# **The University of Auckland**

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## **Asset Management Policy**

**Approved by the Vice-Chancellor  
on 19 June, 2001**

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# 1.0 POLICY FRAMEWORK

## 1.1 INTRODUCTION

### Purpose

1.1.1 Effective asset management and capital expenditure are essential for the continuity, development, and growth of the University. They are closely linked to the goals and strategies of the University and Primary Activity Centres (PACs).

1.1.2 The purpose of this policy is to ensure that capital expenditure by the University is planned, evaluated, authorised, implemented, monitored and reported in a systematic manner, to meet the objective of best practice.

### Applicability and approach

1.1.3 Unless stated otherwise, this policy applies to asset management for all PACs in the University, but excludes **building projects** undertaken by Property Services and **library materials purchases**.

1.1.4 This policy replaces parts of the following policies:

- i. Capital Expenditure 201 dated 15 October 1999<sup>1</sup>, and
- ii. Capital and Maintenance Expenditure 202 dated 25 September 1998<sup>2</sup>,

The sections of these policies on **property assets** and **library materials** remain in force.

1.1.5 This policy is effective from [25 June 2001]. The capitalisation thresholds specified in section [1.2.4] are effective from [1 January 2002]. Budgets proposed for the 2002 year must be consistent with these thresholds.

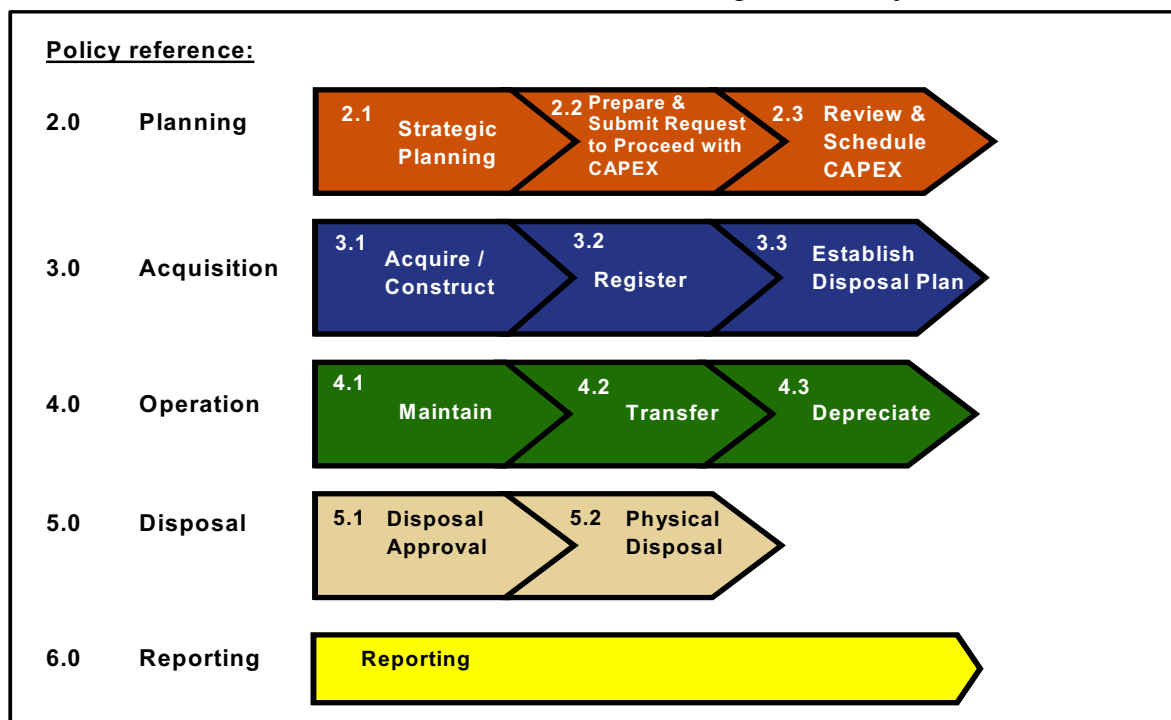
1.1.6 This policy follows an asset management framework that consists of four stages plus an underlying reporting process. This framework represents the life cycle of an asset. Understanding the components of an asset's life cycle is imperative in asset management. The following diagram sets out the framework:

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<sup>1</sup> Supersedes Capital Expenditure Policy 201 dated 25 September 1998.

<sup>2</sup> Refer to the University web page: <http://auckland.ac.nz/finance/Policy/202CapitalMaintExp.htm>

## 1.0 Asset Management Policy Framework



**Planning** – this phase includes the long term and annual planning of capital expenditure, submission of requests to proceed and the scheduling of approved capital expenditure.

**Acquisition** – involves the fulfilment of the purchasing transaction, registration of the asset, and planning for future disposal.

**Operation** – focuses on the operation of the *Asset Register* (refer Appendix A) for the key activities of maintain, transfer and depreciate, and the safeguarding of physical assets.

**Disposal** – ensures that the Asset Register reflects the disposal of assets.

**Reporting** – occurs throughout the asset management process with key reports communicating planned and actual acquisitions, status of the Asset Register, and financial status for projects across the University.

Specific policies related to each stage above are detailed in this policy.


1.1.7 This policy document has been compiled with reference to the Financial Reporting Standard No. 3 (FRS-3) Accounting for Property, Plant and Equipment<sup>3</sup>.

<sup>3</sup> Issued by the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand and approved on 2 March 2001 by the Accounting Standards Review Board under the Financial Reporting Act 1993.

### **Related policies**

- 1.1.8 This policy is related to the following University policies:
- i. Operating Budget Policy 200, dated 25 September 1998<sup>4</sup>
  - ii. Procurement Policy 401, dated 3 November 1998<sup>5</sup>
  - iii. Approval Requirements for Requisitions and Purchase Orders Policy 402, dated 7 October 1998<sup>6</sup>
  - iv. Current Preferred Supplier Policy
  - v. Current Research Policy<sup>7</sup>
  - vi. Insurance Policy 207, dated 21 December 1999<sup>8</sup>.


### **Asset Management Handbook**

- 1.1.9 This policy is to be used in conjunction with the Asset Management Handbook, which documents asset management procedures and relevant forms required. The Handbook provides standards and guidelines to meet all the requirements of this policy.
- 1.1.10 Throughout this policy, the symbol  is used to indicate when the Handbook is to be referred to for further guidance.

### **Delegated authority and responsibilities**

- 1.1.11 *Delegated authority* (refer Appendix A) for the capital expenditure process and the roles and responsibilities of respective parties involved have been set out in this policy in [Appendix C].

### **General terminology**

- 1.1.12 General terms used throughout this policy and their respective meanings are provided in [Appendix A]. The symbol  is used to indicate references to [Appendix A].

### **Administration**

- 1.1.13 The University Finance Registry is responsible for maintaining this policy.

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<sup>4</sup> Refer to the University web page: <http://auckland.ac.nz/finance/Policy/200Budget.htm>

<sup>5</sup> Refer to the University web page: <http://auckland.ac.nz/finance/Policy/401Procurement.htm>

<sup>6</sup> Refer to the University web page: <http://auckland.ac.nz/finance/Policy/402Approvals.htm>

<sup>7</sup> Refer to the University web page: <http://auckland.ac.nz/research/manual.doc> or Research Policy Manual

<sup>8</sup> Refer to the University Policy Manual

## 1.2 ASSET DEFINITION AND CATEGORIES

1.2.1 This section sets out the definition and categories of assets for the purpose of this policy.

1.2.2 **Assets** are future economic benefits controlled by the University as a result of past transactions or events. Assets in the University can be defined by their nature and include;

- i. *fixed assets* (capitalised assets including electronic resources) 🚩;
- ii. *work in progress* 🚩;
- iii. *intangible assets* (i.e. non physical assets such as goodwill, patents and other intellectual property) 🚩;
- iv. current assets (i.e. assets that have an initial economic life of less than or are able to be realised within one year); and
- v. investments.

Intangible assets, current assets and investments are not covered by this policy.

1.2.3 A **capitalised asset** results from meeting all of the following conditions:

- i. Item that has an estimated *useful life* 🚩 in excess of one year;
- ii. Has a cost that satisfies the capitalisation thresholds set out in section [1.2.4];
- iii. Has not been acquired or constructed with the intention of resale; and
- iv. May include such expenditure incurred on an existing asset to improve its functionality and/or extend its useful life but not merely reinstate the future economic benefit of an asset (i.e. repairs and maintenance) 📖.

1.2.4 The capitalisation thresholds are;

- i. items costing \$5,000 and over (formerly \$2,000), other than
- ii. computing equipment \$1,000 and over,
- iii. all individual works of art irrespective of price, and
- iv. items donated by UniServices irrespective of value 📖.

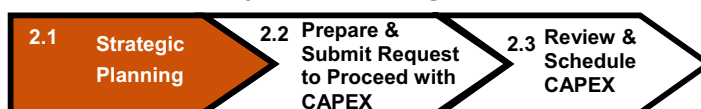
These thresholds apply to;

- individual assets;
- a collection of related items or components that cannot operate in isolation, whose combined original cost exceeds the threshold;
- an accessory which is acquired for permanent attachment to an existing capitalised asset. The cost of the accessory is to be added to the existing asset if it meets any of the capitalisation thresholds; and
- *pooled assets* 🚩 of a similar type, whose combined cost exceeds the threshold. Items whose value exceeds the threshold must be separately detailed in the Asset Register and cannot form part of a pool of assets 📖.

1.2.5 **Non capitalised items** refers to items that are flagged as ‘non capitalised’ in the Asset Register. These include **leased assets** and **attractive items**.

- 1.2.6 For the purpose of this policy, **leased assets** refer to assets acquired through *operating leases* ↗. *Finance leases* ↗ may not be entered into. Leased assets are not recorded as **capitalised assets** as the risks and rewards of ownership are retained by the lessor rather than the University as the lessee.
- 1.2.7 **Attractive items** are those items that do not meet the capitalisation criteria in section [1.2.3] but are to be tracked through the Asset Register because they are prone to accidental or deliberate loss due to portability and attractiveness (e.g. VCR, TV set, audio equipment, microwave oven etc).
- 1.2.8 **Computing equipment** referred to in section [1.2.4] includes desktop and portable PCs, printers, servers, scanners, monitors, base unit (box), palm pilots, data storage and tape drives, disk drives, hubs, routers, switches and PABX machines.
- 1.2.9 **Projects** ↗ in terms of this policy include acquisition or construction of facilities and resources supporting teaching and learning, research, administration, and infrastructure 📖.
- 1.2.10 **Budgeted** means either;
- i. that the item is specifically included in the base or plan case capital expenditure budgets approved by *Capital Planning and Budget Committee* (CPBC) or *Budget Committee* (BC) ↗; or
  - ii. that the item has been allocated a budget from one of the contestable pools.
- 1.2.11 **Joint asset purchases** funded by different sources include;
- i. joint purchases by two or more PACs;
  - ii. asset purchases funded from teaching and learning, and research budgets within or across PACs; and
  - iii. asset purchases funded from the budget of a faculty or service PAC and UniServices.
- 1.2.12 Assets must be recorded in the University Asset Register. Assets are categorised as follows 📖:
- |                                  |                              |
|----------------------------------|------------------------------|
| i. works of art                  | vii. land                    |
| ii. buildings                    | viii. leasehold improvements |
| iii. books                       | ix. transport                |
| iv. computing equipment          | x. office equipment          |
| v. <i>electronic resources</i> ↗ | xi. plant.                   |
| vi. furniture and fittings       |                              |
- While work in progress is recorded as an asset in the University's financial statements and tracked in the work in progress account, it is not recorded in the Asset Register until such time as it is capitalised as an asset or assets under the categories above.

## 2.0 PLANNING



## 2.0 PLANNING FOR CAPITAL EXPENDITURE


This process involves:

- i. Annual and long term planning including prioritisation and ranking of capital expenditure within PACs;
- ii. Preparation and submission of requests to proceed with capital expenditure; and
- iii. The review and scheduling of capital expenditure.

### 2.1 STRATEGIC PLANNING

2.1.1 Within the scope of this policy, capital expenditure can be funded from the following sources:

- i. *Base case* ↗
- ii. *Plan case* ↗
- iii. *Contestable funds* ↗
- iv. *Small service PAC pool* ↗
- v. *Externally sponsored research* ↗
- vi. Major IT projects (refer Appendix B)

A single item of capital expenditure may be funded by more than one of the above sources .

#### 2.1.2 Overview

The Capital Planning and Budgeting Committee (CPBC) sets the faculty and *large service PACs*' ↗ base allocations as well as the total pools available for plan case capital expenditure, contestable funds and the total allocation available to small service PACs. The Budget Committee (BC) then allocates base budgets to individual small service PACs and the plan cases out of the pools established, as part of the budget process. The contestable fund allocations are made to applicants by specific committees.

The platform for CPBC allocations and pool determinations is the 10-year operations projection, which establishes the free cashflows available for capital expenditure in the coming year.

Capital allocations for major building projects, library materials and ITSS capital projects also form part of the total capital expenditure allocated for a given year, but these are dealt with by separate processes.

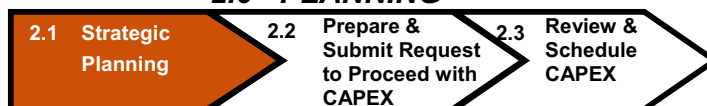
The diagram on page 9 is an overview of the base and plan capital allocation process.

#### 2.1.3 Base case capital

Capital benchmarking with G7 Universities in Australia plays a significant role in the faculty base allocation decisions. These benchmark capital levels are weighed against the capital needs detailed in faculty and large service PAC *Asset Management Plans* (AMP) ↗ and the available financial resources.



## 2.0 PLANNING



The AMP details;

- i. current stock of assets held outlining the replacement programme required to maintain this stock,
- ii. shortages in the current stock and the plan and timing to address these,
- iii. assets required for new approved programmes or growth in existing programmes, and
- iv. assets associated with new building projects.

A *Capex Schedule* 📅, which details the asset purchases proposed for the coming year is to be appended to the AMP. This schedule will be updated to reflect the budget allocation when announced. It can then form an internal capital expenditure control mechanism for PAC management.

### 2.1.4 Plan case capital

Although the CPBC determines the total pool for allocation of plan case capital, the Budget Committee (BC) makes allocations to individual PACs as part of the budget process. All PACs can make plan case submissions to the BC that include details of all revenue and expenditure associated with the capital requirement.

The BC will consider submissions having regard to their projected financial performance, capital requirements and their congruence with the mission, goals, and strategies of the University. Successful submissions are announced prior to the conclusion of the budget process 📖.

### 2.1.5 Contestable funds

Contestable funds currently in existence are the Vice-Chancellors University Development Fund (VCUDF), Flexible Learning Initiative Fund (FLIF), and University-sponsored Research.

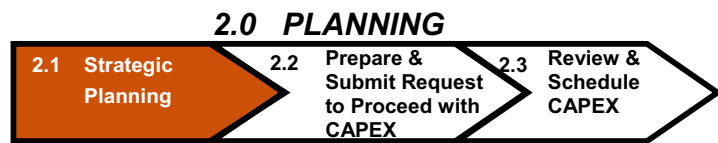
Each of these funds is designed to encourage specific activities and initiatives within the University or address specific priorities. Each fund has clearly defined criteria, submission guidelines and a dedicated committee to determine allocations which may be a mix of capital or operating expenditure 📖.

### 2.1.6 Small service PACs


The BC determines individual allocations from the small service PAC capital pool established by the CPBC and occur as part of the annual budget process 📖.

### 2.1.7 Externally sponsored research capital expenditure


Externally sponsored research includes research projects that are funded externally. This research funding often contains provision for the purchase of capital items. Where an asset is purchased with external research funds it becomes the property of the University and must be recorded in the Asset Register.



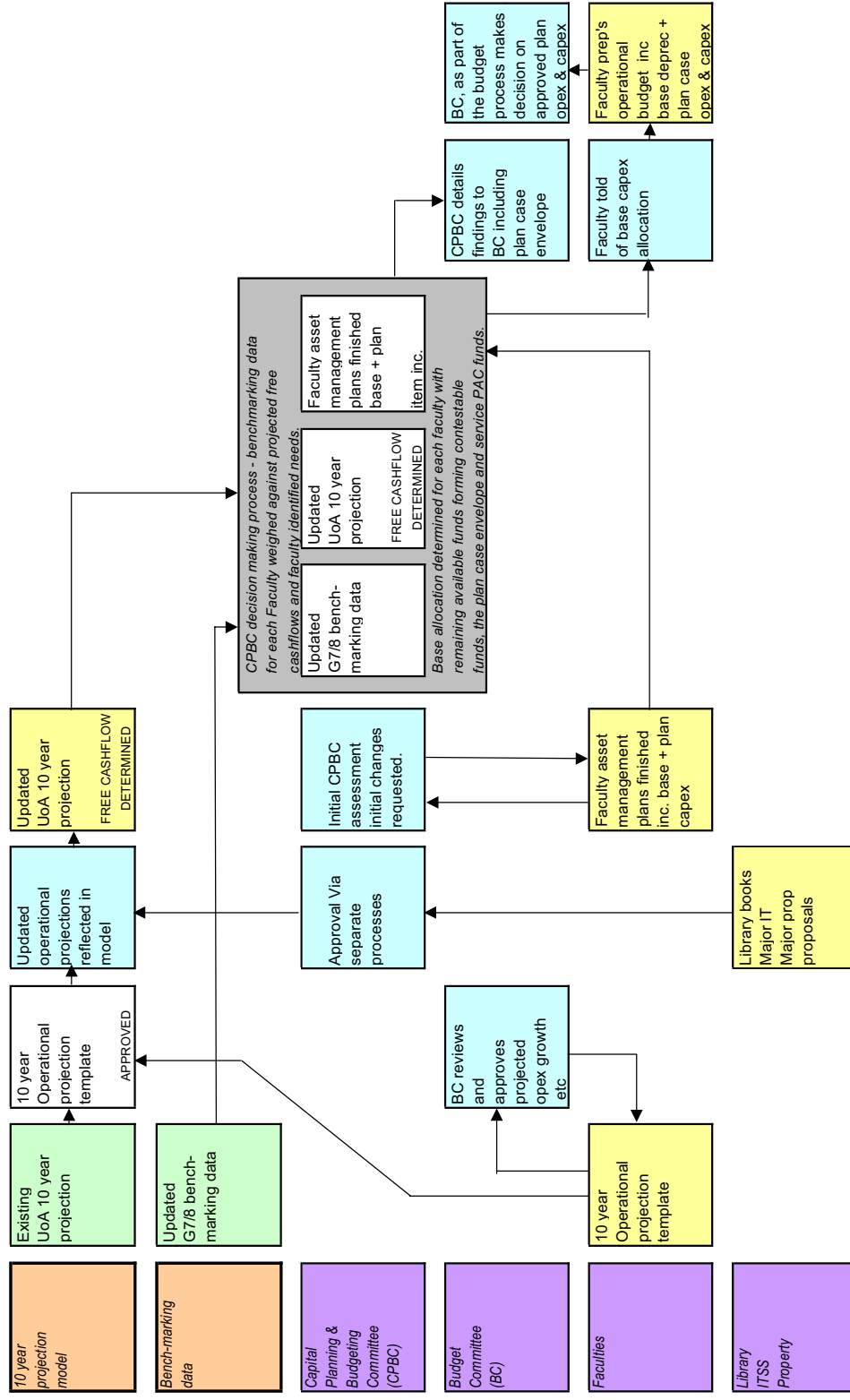
External funding for capital expenditure that is identifiable at the time of the submission of a faculty's AMP must be separately disclosed in the Capex Schedule.

Individual research contracts and the University's Research Policy outline the responsibilities and requirements associated with externally sponsored research .

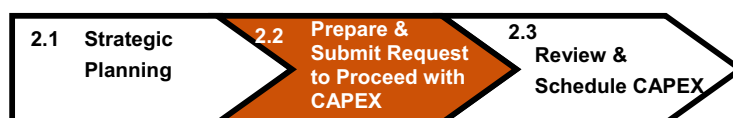
**Joint capital expenditure proposal**

- 2.1.8 Where Property Services are proposing a construction or renovation project, there will be a requirement to acquire assets that would not form part of Property Services' capital responsibilities. These assets may include furniture and fittings, computer equipment, and specialised plant and equipment. A *business plan*  including these items must be prepared in conjunction with Property Services proposal to CPBC and these items must be included in PACs' AMPs.

**The University of Auckland**  
 Base and Plan Capital Allocation Process - Facilities  
 for the years ended 31 December 200X



## 2.0 PLANNING

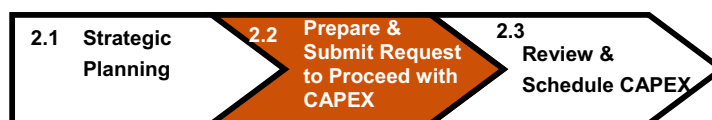


### 2.2 PREPARE AND SUBMIT REQUEST TO PROCEED WITH CAPITAL EXPENDITURE

#### Capital Expenditure Authority

- 2.2.1 Approved capital expenditure budgets do not constitute authorisation to incur the expenditure. PACs or applicants (to contestable funds) are required to complete and submit a Capital Expenditure Authority (CEA) to obtain approval to proceed with the expenditure in accordance with delegated authorities before purchase orders can be raised to acquire or construct assets
- 2.2.2 Delegated authorities for approval to proceed with budgeted and unbudgeted capital expenditure are detailed in [Appendix C]. These delegations apply to all capital expenditure and take precedence over the delegated authority set out in the University's Purchasing Policy 402.
- Capital expenditure in excess of \$100,000 requires the approval of the Vice-Chancellor and a business plan must accompany these applications. Capital expenditure between \$50,000 (\$20,000 for small service PACs) and \$100,000 requires a *financial justification* .
- 2.2.3 The CEA form is to be used for all capital purchases irrespective of funding source and whether assets are leased or purchased .
- 2.2.4 The purchase of an asset must occur in the same fiscal year(s) indicated on the CEA form .
- 2.2.5 A single CEA can be approved on a multi-year basis and must be used to support acquisitions in all years .
- 2.2.6 A single CEA may be prepared for a project. PACs or applicants are to put in place control mechanisms to track individual purchases that form a project or collective purchase. Use of project codes is recommended as a control mechanism .
- 2.2.7 A joint asset acquisition by two or more PACs requires;
- the preparation of a single CEA form by all PACs involved and approval based on the delegated authorities;
  - where the asset is intended to be purchased, a nominated primary PAC to take ownership of the asset;
  - pre-agreed allocation of the depreciation expense charged to each PAC in accordance with section [4.3] of this policy or pre-agreed lease charges in these the case of a leased asset; and
  - acceptance by each PAC to the depreciation or lease charge .

## 2.0 PLANNING



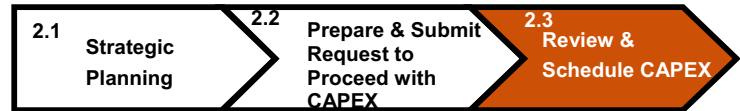
### Acquisitions by operating lease

- 2.2.8 Proposals for the acquisition of leased assets must adhere to the same policy as the outright purchase of assets even though leased assets are not capitalised. Leasing is merely a means of acquiring assets. Leasing an asset involves substantially the same benefits, costs and risks as purchase and so the same decision making framework is required.
- 2.2.9 The University recommends leases to be used for the acquisition of *standard computing equipment* 🚩. These leases must be operating leases as finance leases may not be entered into.
- 2.2.10 Operating leases may be negotiated only with preferred supplier(s) with whom the University has signed a Master Lease Agreement, and the terms of leases shall be in accordance with those agreements 📖.
- 2.2.11 A CEA is required for all capital acquisitions by lease in accordance with sections [2.2.1] to [2.2.7] of this policy. In addition sections [2.2.11] to [2.2.14] will also apply.
- 2.2.12 Delegated authority levels for acquisition by lease are based on purchase price, not annual lease payment or total lease commitment 📖.
- 2.2.13 All lease CEAs must be signed off by the Director of Administration after approval by the standard delegated authority(ies) 📖.
- 2.2.14 PACs are responsible for;
- providing Finance Registry the physical information of leased assets immediately after the assets have been acquired; and
  - ensuring details of leased assets in the Asset Register are up-to-date 📖.
- 2.2.15 Finance Registry is responsible for;
- recording physical information of leased assets in the Asset Register;
  - maintaining financial information of lease assets with reference to acceptance certificates provided by the lease company; and
  - forwarding a schedule to PACs to confirm the commencement of the lease commitment and to request further details of the leased assets 📖.

### Internal leasing

- 2.2.16 **Internal leasing** 🚩 is to be treated as follows:
- Assets approved for acquisition through an internal lease are recorded against the activity centre and budget of the lessee PAC;
  - Depreciation* 🚩 is charged to the operating budget of the lessee PAC; and
  - Interest payments are charged to the lessee PAC.

## 2.0 PLANNING



### Off-shore capital purchases

- 2.2.17 Where capital purchases in excess of NZ\$20,000 are made from off-shore suppliers, PACs are required to liaise with Treasury (Finance Registry)

## 2.3 REVIEW AND SCHEDULE CAPITAL EXPENDITURE

### Capex schedule

- 2.3.1 PACs are required to maintain and update their Capex Schedule. The schedule is used to propose capital expenditure and is adjusted to reflect capital expenditure approved for internal monitoring purposes. The schedule shows base case, plan case, contestable and where possible, externally sponsored research capital expenditure .
- 2.3.2 Where it is envisaged that a change in priorities or substitution of capital expenditure in excess of \$100,000 is required, a revised Capex Schedule must be prepared. This is to be submitted to the Vice-Chancellor along with;
- the existing approved schedule;
  - the updated schedule for approval; and
  - the CEA and business plan for the proposed capital purchase signed off by the delegated authority as set out in [Appendix C] .

### Capital expenditure cashflows

- 2.3.3 The estimated timing of capital expenditure approved is an important element in projecting the University's cashflow position.
- 2.3.4 PACs are required to provide Finance Registry with estimates of cashflow and their timing, related to its total capital budget allocation. These are to be provided in a prescribed format in accordance with the annual planning timetable .
- 2.3.5 Forecast adjustments reflecting changes to estimated timing and/or level of capital expenditure must be submitted monthly, and whenever significant change from the current estimate is envisaged .

### Advance payments for capital items

- 2.3.6 In some situations, PACs may enter into a contract to purchase a capital item and make advance payments to the supplier or vendor prior to the receipt of the asset. The prepayment is to be disclosed in the Statement of Financial Position, and recorded in the Capex Schedule .

## 3.0 ACQUISITION



### 3.0 ASSET ACQUISITION

This process involves;

- i. actual acquisition or construction of assets;
- ii. registering assets into the University Asset Register; and
- iii. establishing asset disposal plans.

#### 3.1 ACQUIRE OR CONSTRUCT

3.1.1 Capital items for which a CEA has been approved are to be acquired in accordance with;


- i. University Procurement Policy 401;
- ii. Approval Requirements for Requisitions and Purchase Orders Policy 402;
- iii. University Procurement Guideline; and
- iv. current Preferred Supplier Policy.

Delegated authority set out in the Purchasing Policy 402 is superseded by the delegations detailed in [Appendix C] of this policy. Refer section [2.2.2.].

##### **Asset tagging**

3.1.2 All items entered into the Asset Register must be tagged with an official University barcode tag as soon as the asset is received or completed. Exceptions include the following asset types:

- i. electronic resources, including computer software
- ii. pool assets
- iii. transportation, including motor vehicles.


PACs are responsible for tagging and tracking their assets .

#### 3.2 REGISTER ASSET

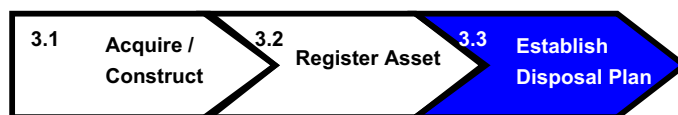
##### **Asset register**

3.2.1 All items that satisfy the definition of a capitalised asset (section [1.2.3]) must be included in the University's Asset Register.

Leased assets are to be recorded in the Asset Register as non-capitalised items.

'Attractive' items that do not satisfy the definition of a capitalised asset (section [1.2.3]) are to be included in the non-capitalised section of the register .

### 3.0 ACQUISITION



- 3.2.2 Donated assets received from;
- i. external party(ies) are to be recorded at their *fair value* ↗; and
  - ii. UniServices are to be recorded at the value specified at the date of donation to the University 📖.

#### **Work in progress**

- 3.2.3 Where an asset is constructed or acquired and the cumulative costs are being recorded as work in progress, these costs must be transferred to the Asset Register on completion. This is to be done when substantially all the activities that are necessary to bring the asset to its intended use are practically complete 📖.
- 3.2.4 Where assets are acquired to assist in the implementation of a project the depreciation, ongoing repairs and maintenance costs, or lease payments associated are to be charged to work in progress. The asset acquisition cost is to be charged to the capital budget(s) of the PAC(s) undertaking the project and not to work in progress.

Upon completion of the project, depreciation and ongoing repairs and maintenance costs etc, or lease payments associated with the assets are to be charged to the operating budget(s) of the PAC(s) if the assets are continuing to be used.

### **3.3 ESTABLISH DISPOSAL PLAN**

- 3.3.1 PACs must plan for the management of asset disposals through regular monitoring of assets that are approaching the end of their useful lives. This can be achieved through physical verification or examining the Asset Register.
- 3.3.2 Where there is a proposal for an acquisition of a replacement asset, the disposal of the existing asset and its expected amount of realisation or write-off must form part of that proposal.



## 4.0 OPERATION



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### 4.0 ASSET OPERATION

This phase focuses on operation of the Asset Register during the key operational activities of maintaining, transferring and depreciating assets.

#### 4.1 MAINTAIN ASSET

##### Assets located off-campus

- 4.1.1 All assets and attractive items that are used or taken *off-campus* ↗ are required to be recorded as such in the Asset Register for the primary purpose of tracking these items 📖.

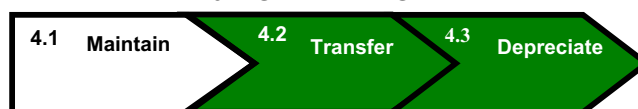
##### Physical maintenance


- 4.1.2 PACs are responsible for the physical maintenance and security of their assets. Maintenance programmes are recommended for critical and specialised assets and should be included in the PACs' Asset Management Plans 📖.

##### Physical verification


- 4.1.3 PACs are primarily responsible for undertaking annual and ongoing verification (stocktake) of their assets and attractive items. This verification process is to cover;
- 75% coverage of total assets' *net book value* ↗ annually; and
  - 100% coverage of total assets' net book value and attractive items biannually 📖.
- 4.1.4 The objective of physical verification is to maintain the integrity of the University's Asset Register by;
- ensuring that all assets held are recorded in the register;
  - verifying that all assets in the register have been physically located and are still functional; and
  - updating the register for unrecorded changes in asset ownership, responsibility or location.
- 4.1.5 Where, as a result of the verification process;
- it is ascertained that assets recorded in the Asset Register no longer physically exist or are damaged and non functional, or
  - there is an indication that the current net book value of an asset exceeds the asset's *recoverable amount* ↗ due to *impairment* ↗,
- a write off or adjustment is to be made to the Asset Register and an operating expense raised. PACs are required to obtain authorisation in accordance with section [5.1] of this policy prior to making the adjustment 📖.

## 4.0 OPERATION





- 4.1.6 At the completion of each physical verification, PACs are responsible for certifying that the verification has been completed in accordance with this policy and the procedures set out in the handbook. The certified Stocktake Certificate is required to be forwarded to Finance Registry as part of the year end process .
- 4.1.7 Stocktake documentation is to be retained by the PACs for sighting by external auditors.




### Asset revaluation

- 4.1.8 Assets covered within the scope of this policy are not subject to *revaluation*  except under the direction of the University's Finance Committee.

### Loss or damage to University assets and insurance claims

- 4.1.9 Where a University asset (whether on or off-campus) has been lost, stolen or maliciously damaged, PACs are required to immediately report the situation to;
- i. the Police;
  - ii. Unisafe; and
  - iii. the University's insurance brokers by completing an insurance claim form, in accordance with the University Insurance Policy .
- 4.1.10 Assets that are lost, stolen or damaged beyond repair, are to be disposed of in accordance with section [5.0] of this policy. Proceeds received by PACs from insurance companies are to be recognised as income. Replacement assets supplied by the insurance company must be brought to account at a fair value. Forecast adjustments to the capital budget may be necessary to reflect the cost of replacement .

## 4.2 TRANSFER ASSET

- 4.2.1 Approvals from both the transferring and receiving PACs or departments must be obtained prior to an *asset transfer*  .
- 4.2.2 An asset is to be transferred at its net book value at the time of the transfer. This applies even if the net book value of the asset is nil or is less than the capitalisation threshold set out in section [1.2.4] of this policy.
- 4.2.3 It is the responsibility of the transferring PAC or department to advise Finance Registry of the transfer .
- 4.2.4 Finance Registry is responsible for updating the Asset Register to reflect the transfer.



### **4.3 DEPRECIATE ASSET**

- 4.3.1 Depreciation is charged on assets that have been capitalised to allocate the cost of assets over their estimated useful lives. The depreciation charge for each period shall be recognised as an operating expense.
- 4.3.2 Depreciation of an asset shall commence from the first day of the month which the asset is acquired, or in the case of a constructed asset, becomes operational.
- 4.3.3 Depreciation expense will be charged to the activity centre which holds the asset. In the case of jointly purchased assets, the nominated primary PAC is responsible for cross charging depreciation to the other PAC(s) 📖.
- 4.3.4 Depreciation on assets acquired through research capital expenditure is to be charged;
- i. to the research budget of the PAC(s) undertaking the research project; and
  - ii. over the shorter of the asset's useful life or the project's life.
- 4.3.5 Depreciation methods and rates applicable to the different classes of assets are set out in the Handbook 📖.




## 5.0 DISPOSAL



## 5.0 ASSET DISPOSAL

This process involves the actual disposal of assets and ensures the Asset Register and financial accounts reflect the disposal.

### 5.1 DISPOSAL APPROVAL

- 5.1.1 PACs may determine that an asset is;
- i. obsolete;
  - ii. unserviceable;
  - iii. to be traded-in;
  - iv. to be sold;
  - v. missing; or
  - vi. to be disposed of by other means (e.g. donation/gift to external party(ies), scrapped for spares etc).
- 5.1.2 An asset cannot be disposed of merely because;
- i. its is fully depreciated; or
  - ii. its depreciated value is less than the capitalisation threshold set out in section [1.2.4] of the policy.
- 5.1.3 An authorised Asset Disposal form must be completed for each disposal. Authorisation is based on the original cost price of the asset in accordance with the delegations set out in [Appendix C]. For replacement assets, the disposal approval may be done when proposing the replacement asset .
- 5.1.4 PACs intending to dispose of an asset which is likely to result in a loss on disposal exceeding \$5,000, are to provide justification including the reasons and means of disposal, and consult with specialist advisers where appropriate .
- 5.1.5 No individual persons or organisations are to be favoured in the disposal process in any way. All University entities, staff and students are to be given effective prior notice when assets are being advertised for disposal .
- 5.1.6 Where a specialised or unique asset is to be disposed of, PACs are to consult specialist advisers (e.g. ITSS, Property Services, Finance Registry etc) to determine the best possible means of disposal.

## 5.0 DISPOSAL




- 5.1.7 The University offers no warranty on the condition of assets it sells. Where there are known faults, wear or some other flaw in the asset being disposed of, these must be clearly stated to any prospective buyers. The request for tender, auction catalogues or any other sales documentation is to;
- i. provide a full description of the assets,
  - ii. specify that assets are sold on a ‘as is, where is’ basis, and
  - iii. invite prospective buyers to inspect the goods before the sale.
- 5.1.8 Where an asset is traded-in for another asset, the trade-in of the old asset and purchase of the new asset represent two separate and distinct transactions. Both transactions are subject to the relevant sections of this policy and are to be separately entered on the Asset Register.
- 5.1.9 Where a joint purchased asset is disposed of, the primary PAC is to allocate *loss/gain on disposal* ➔ to each PAC in the same proportion as per the pre-agreed depreciation allocation. Refer section [2.2.7].

## 5.2 PHYSICAL DISPOSAL

- 5.2.1 Actual disposal of a University asset can only proceed once authorisation has been obtained in accordance with section [5.1.3] of this policy.
- 5.2.2 PACs are responsible for the physical disposal of assets.
- 5.2.3 PACs are responsible to ensure that Finance Registry is advised to remove assets they have disposed of from the Asset Register 📖.
- 5.2.4 Finance Registry is responsible for removing disposed assets from the University Asset Register.

## **6.0 CAPITAL EXPENDITURE AND ASSET MANAGEMENT REPORTING**

- 6.1.1 This process involves reporting throughout the Asset Management process with key reports communicating planned and actual acquisitions, status of the Asset Register and financial status for capital projects across the University.
- 6.1.2 The objective of reporting is to provide relevant and timely information to support decisions and monitor activity throughout the asset's life cycle. As such reporting is not an independent process, but a process integrated with each element of the Asset Management framework.
- 6.1.3 The Asset Management Handbook provides further guidance on specific reporting activities and information required to support decisions mentioned in this policy .

## **Appendix A – General terminology**

The following are general terms used in this policy:

Asset Management Plan	A plan detailing the schedule for replacement of the current asset stock and the additional capital items required.
Asset register	The system that records and is used to maintain and report assets held in the University. The system used is the Peoplesoft Asset Management System.
Asset transfer	Movement of an asset from one PAC to another within the University or within a PAC with the intention of transferring the use, care and maintenance responsibilities of the asset.
Base case	Expenditure necessary to maintain existing activities at their current level, allowing for normal incremental growth, through replacing the current level of assets as they reach the end of their useful lives.
Budget Committee (BC)	Committee responsible for establishing the operating budget of the University and allocating capital expenditure associated with plan case initiatives and small service PACs requests.
Business plan	The documentation of a process that is used to systematically develop strategies and organise resources so that a pre-specified objective can be achieved.
Capex schedule	A prioritised listing of all capital items sought for the coming year. This schedule is appended to the Asset Management Plan. This listing is adjusted in accordance with the approved allocations. It is then used to manage capital expenditure within the allocation.
Capital Planning and Budgeting Committee (CPBC)	The Committee responsible for long term capital planning and approval of proposals that fit with those plans.
Contestable funds	Funds set up in accordance with the University's goals and strategies that all entities within the University can apply to. The three main funds are; <ol style="list-style-type: none"><li>i. Vice-Chancellors University Development Fund</li><li>ii. Flexible Learning Initiatives Fund</li><li>iii. University-sponsored Research</li></ol>
Delegated authority(ies)	The approval limits specified at various hierarchical levels setting out authority to approve expenditure.
Depreciation	A measure of consumption of the economic benefits embodied in an asset whether arising from use, the passing of time or obsolescence.

Electronic resources	Applications and knowledge-based reference sources for which the University pays an access fee for use, or purchases outright (e.g. computer software, data access resources etc.). Where an access fee is paid, it must satisfy the capitalisation criteria for it to be capitalised.
Externally sponsored research	Research activities funded through a research contract where external party(ies) usually specify the use of funds.
Faculty PACs	Includes APPFA, Arts, Business and Economics, Engineering, Law, Medicine and Health Science, Science, and ACTE (Theology).
Fair value	Amount for which an asset could be exchanged for, or a liability settled, between knowledgeable willing parties in an arm's length transaction.
Financial justification	A short form business plan that details reasons for a capital proposal and outlines the incremental cashflow associated with it.
Fixed assets	Tangible assets that: <ul style="list-style-type: none"> <li>i. are held by the University for teaching and research activities, or administrative purposes;</li> <li>ii. have been acquired or constructed with the intention of being used on a continuing basis; and</li> <li>iii. include electronic resources such as computer software and database access licences.</li> </ul>
Impairment	Situation where the future economic benefits of an asset is significantly reduced.
Intangible assets	Non physical assets e.g. goodwill, patents and other intellectual properties.
Large service PACs	Includes Library, ITSS and Student Administration.
Lease	An agreement whereby the lessor conveys the right to use an asset for an agreed period of time to the lessee in return for rent.
Operating lease	A lease in which the risks and rewards of ownership of the asset remain with the lessor and the right to use the asset is conveyed to the lessee.
Finance lease	A lease that transfers substantially all the risks and rewards of asset ownership to the lessee. Finance leases may not be entered into.
Internal lease	An arrangement whereby an asset is purchased centrally and leased to a PAC. The lessee PAC incurs depreciation and interest charges for the use of the asset.
Loss/Gain on disposal	The difference between an asset's net book value and the net amount actually recovered on disposal.




Net book value	The original cost of the asset plus any additions or disposals, less accumulated depreciation.
Off-campus asset	Such assets include: <ul style="list-style-type: none"> <li>i. portable assets used by designated staff (e.g. laptops and palm pilots primarily used by specific staff members etc),</li> <li>ii. assets temporarily loaned to University staff (e.g. laptop for an overseas conference), and</li> <li>iii. University assets that are permanently affixed on some other site other than University campus (e.g. field location or private residence etc).</li> </ul>
Plan case	Expenditure that supports the following distinct demands; <ul style="list-style-type: none"> <li>i. strategic growth in existing activities and programmes</li> <li>ii. significant new activities and programmes</li> <li>iii. initiatives to improve existing activities and programmes.</li> </ul>
Pooled assets	A group of similar items e.g. 10 meeting room chairs, several pieces of office furniture including a writing desk, drawers, a desk chair with arm and back rests, a meeting table, 5 combating chairs, and a filing cabinet.
Project	A collection of revenue, expenses and capital expenditure with the common objective of achieving a particular outcome.
Recoverable amount	The amount of the net cash inflows expected to arise; <ul style="list-style-type: none"> <li>i. from the asset's continued use and ultimate disposal; or</li> <li>ii. from its disposal in the immediate future.</li> </ul>
Revaluation	Recording of a valuation of an asset, upwards or downwards, subsequent to its purchase or creation.
Small service PACs	Includes CPD, Finance, Human Resources, Foundation Studies (New Start and Wellesley Programme), International Services, Property Services, Research Admin, Student Learning Centre and University Management, and University Press.
Standard computing equipment (as defined in the master lease agreements)	Includes tier 1 desktop PCs, notebooks and servers, Apple desktop, communications equipment, and printers.
Useful life	The period of time over which the future economic benefits of an asset are expected to be consumed; or the total service, expressed in terms of production or similar units, expected to be obtained from an asset.
Work in progress	Includes the cumulative costs in constructing or acquiring something that will be capitalised as an asset when that process is complete. Prior to completion, the cumulative costs of work in progress are recognised as such in the Statement of Financial Position as an asset.

## Appendix B - Major information technology projects


### *Definition and scope*

- B1.1 Major information technology projects consist of;
- i. projects undertaken by a PAC either;
    - a) using internal resources of the PAC, or
    - b) by ITSS, or
    - c) by party(ies) external to the University; or
  - ii. projects undertaken by ITSS as detailed in its capital expenditure budget approved by the IT Strategy and Policy Committee and then by the CPBC.
- B1.2 All IT projects must be carried out with formal Project Manager and Project Sponsor relationships between those undertaking the project and those for whom the project is undertaken.
- B1.3 For all projects undertaken;
- i. work in progress is to be recorded and charged against the capital budget of the project sponsor PAC; and
  - ii. the project sponsor PAC is responsible for obtaining funding for such projects through the various sources described in section [2.1].
- B1.4 ITSS also obtains funding for its capital projects (B1.1( ii )) through the various sources described in section [2.1].
- B1.5 Information technology projects may involve a mix of capital and operating expenditure. Work in progress needs to be assessed monthly and any operating expenditure transferred to operating expenses at that time.

### *Roles, responsibilities and formal requirements*

- B1.6 The Project Sponsor and Project Manager must reach agreement, prior to commencement of the project, on the following;
- i. project scope,
  - ii. project budget,
  - iii. project duration,
  - iv. commencement date, and
  - v. project progress reporting requirements.
- B1.7 Where ITSS acts as Project Manager, they are responsible for;
- i. approaching Finance Registry to set up a project code that is linked to the designated activity centre of the Project Sponsor. This will require Finance Registry to provide security access to that activity centre;
  - ii. recording all costs related to the project in work in progress in the Sponsor PAC's activity centre and project code; and
  - iii. reporting the completion status and financial position of the project to the Project Sponsor monthly .

## **Appendix B (continued)**

- B1.8 Project Sponsor and Project Manager are responsible for reviewing the expenses recorded in work in progress on a monthly basis.
- B1.9 On the completion of a project, the sponsor PAC is required to liaise with Finance Registry to capitalise the project .
- B1.10 The Project Manager is responsible for the implementation and monitoring of the project.

## Appendix C - Delegated authorities for capital expenditure

The following delegated authorities apply to;

- i. approval to proceed with budgeted and unbudgeted capital expenditure;
- ii. asset transfers; and
- iii. disposal of assets.

	<b>Budgeted / Asset Disposal</b>	<b>Unbudgeted</b>
Council	Over \$1,000,000	Over \$200,000
Vice-Chancellor	Up to \$1,000,000	Up to \$200,000
DVCs, Director of Administration, Deans, Librarian	Up to \$100,000	Up to \$25,000
Directors of Student Administration, Financial Services, Property Services, ITSS (effective 31 March, 2003)	Up to \$50,000	Nil
Heads of Department and other Directors	Up to \$20,000	Nil

The delegated authority signatories are successive i.e. signatory for lower level of authority(ies) is to be obtained before the next higher level of authority.

Single capital purchases over \$100,000 budgeted or \$25,000 unbudgeted require the approval of the Vice-Chancellor. CEAs submitted to the Vice-Chancellor for approval must be accompanied by;

- i. a copy of the business plan per the PAC's Asset Management Plan, and
- ii. a copy of the PAC's Capex Schedule.

PACs are responsible for updating the Asset Management Plan and Capex Schedule where circumstances have changed.

CEAs for single capital purchases between \$50,000 (\$20,000 for small service PACs) and \$100,000 will require a copy of the financial justification to be attached for delegated authorities approval.