Policy

Financial Commissioning of Capital Infrastructure and Software Works In Progress

Policy Statement
The ‘financial commissioning’ of capital infrastructure and software works in progress (CWIP and SWIP) for Queensland Health facilities is managed effectively throughout the life of a project to ensure timely, accurate and appropriate capitalisation of assets.

Intent of this policy
The policy has been established to ensure:

- CWIP and SWIP expenditure is captured and reported accurately.
- Responsible officers are aware of their responsibilities in the financial commissioning and capitalisation of non-current assets.
- The capitalisation of assets is recorded appropriately on the Financial and Materials Management Information System (FAMMIS) asset register.
- Asset transactions are recorded accurately and supported by readily accessible records and documentation by hospital and health services (HHS) and divisions.
- Capitalisation occurs in the financial year in which a project receives ‘practical completion’.
- Asset values are recorded and it is noted when they reach or exceed the criteria threshold of the asset class as mandated by Queensland Treasury’s Non-Current Asset Policies for Queensland Public Sector are appropriately recorded.
- Assets are ‘record in a timely manner to allow depreciation for the ‘nominal life’ of the asset.
- All processes undertaken to financially commission CWIP and SWIP shall be carried out in accordance with the Queensland Health Financial Commissioning and Capitalisation of Expenditure on Property, Plant and Equipment Guideline.

Scope
This policy applies to all Department of Health employees and contractors (permanent, temporary and casual) employed in the department’s corporate divisions and commercialised business units.

Principles
Queensland Health is committed to applying the following principles for CWIP and SWIP:

- transparent recording and management of costs associated with works in progress
Department of Health: Financial Commissioning of Capital Infrastructure and Software Works in Progress Policy

- accurate and timely recording of information for reporting purposes
- effective management of Queensland Health’s assets.

Legislative or other Authority

- *Financial Accountability Act 2009* (Qld)
- Financial and Performance Management Standard 2009
- Department of Health Financial Management Practice Manual (FMPM)

Related policy or documents

- Queensland Treasury and Trade Non-Current Assets Policies for Queensland Public Sector
- Department of Health Capital Funding Policy QH-POL-024:2010

Supporting documents


Business area contact

Senior Director, Portfolio Management and Investment Unit, Health Infrastructure Branch, System Support Services

Review

This policy will be reviewed at least every three years.

Date of last review: Not applicable – new policy
Supersedes: Not applicable

Approval and Implementation

Policy Custodian:
Chief Health Infrastructure Officer, Health Infrastructure Branch, System Support Services

Responsible Executive Team Member:
Deputy Director-General, System Support Services

Approving Officer:
Deputy Director-General, System Support Services

Approval date: 1 March 2012
Effective from: 1 March 2012
## Definitions of terms used in this policy and supporting documents

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition / Explanation / Details</th>
<th>Source</th>
</tr>
</thead>
</table>
| Asset                                     | A resource controlled by Queensland Health as a result of past events and from which future economic benefits are expected to flow to Queensland Health.  
**Note 1:** An asset includes physical assets, such as buildings and other infrastructure, which provide future economic benefits for more than 12 months and the cost or value of the asset can be reliably measured. Any item which has a life of less than 12 months is expensed under a maintenance or operational budget and cannot be classed as an asset.  
**Note 2:** Portable and attractive equipment that does not meet the asset recognition threshold is expensed.                                                                                         | Health Infrastructure Branch (HIB) |
| Asset class                               | The prescribed category of asset which is identified by threshold, the type of item.  
**Note:** Asset’s value must reach or exceed the threshold of their asset class as mandated by Queensland Treasury’s Non-Current Asset Policies for Queensland Public Sector.  
**Note:** Asset Classes are as follows:  
- land  
- building  
- land improvements  
- artworks  
- computer hardware  
- engineering  
- furniture and fittings, leasehold improvements  
- medical equipment less than $200,000  
- medical equipment greater than $200,000  
- office equipment  
- vehicles  
- work in progress  
- computer software purchased  
- computer software work in progress.                                                                 | HIB                           |
| Asset officer                             | The person responsible for administering and maintaining the asset register for the HHS, division.  
**Note 1:** The asset officer maintains the asset register module within Finance and Materials Management Information System (FAMMIS) by creating, updating, disposing, stocktaking and reporting on the HHS’ assets.  
**Note 2:** To assist in asset recognition of threshold refer to 1.3.4, “Asset Accounting Asset Recognition Quick Reference Sheet”.                                                                 | HIB                           |
| Asset shell                               | An information record created in the FAMMIS asset module which can then be populated with the description, location of the asset and corresponding cost centre.  
**Note:** The threshold of the asset determines the type of asset class.  
**Note:** The useful life is assigned to the asset shell and on assignment of the relevant asset category the allocated asset shell is created.                                              | HIB                           |
<p>| Capitalisation                            | The transfer of expenditure from CWIP or SWIP to record an asset in Queensland Health’s asset register.                                                                                                                                 | HIB                           |
| Capital Works in Progress (CWIP)          | An asset under construction, installation, upgrade or enhancement that is recorded in the Investment Management Module within the Financial and FAMMIS.                                                                                     | HIB                           |</p>
<table>
<thead>
<tr>
<th><strong>Financial Commissioning</strong></th>
<th>The transfer of the final value from CWIP or SWIP to a Building/Land improvement, plant and equipment or software asset shell in FAMMIS, upon Practical Completion.</th>
<th>HIB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial and Materials Management Information System (FAMMIS)</strong></td>
<td>An integrated business management solution which utilises SAP R/3 enterprise resource planning software. It is a fully integrated system that has enabled Queensland Health to consolidate a range of business processing and reporting functions and implement accrual accounting across all HHSs and System Manager.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Group 1 asset</strong></td>
<td>An item supplied and installed by a Building Contractor as part of a capital works infrastructure project.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Investment Management Module</strong></td>
<td>The capital investment recording module within FAMMIS. <strong>Note:</strong> This module is used to allocate the current financial year budget and the total estimated costs of approved projects that have been endorsed by Budget Paper 3 (BP3) – Capital Statement.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Nominal life</strong></td>
<td>The nominal life of an asset is the useful life assigned to the asset class to which it belongs.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Physical/Practical Completion</strong></td>
<td>The stage of a project where the asset is installed/prepared ready for use in accordance with its intended application and ownership has transferred to Queensland Health.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Practical Completion (PC) Certificate</strong></td>
<td>The certificate issued by the Building Contractor or HHS’ maintenance unit advising the completion of a stage of work. <strong>Note:</strong> This may include complete construction, installation of an asset and or software, installation of group 1 assets or land works, for a new build, refurbishment, upgrade or enhancements.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Responsible Officer</strong></td>
<td>The appointed person within the project team responsible for, but not limited to, managing, monitoring and reporting on the project’s financial performance including the preparation and maintenance of detailed budgets, cash flows, monthly financial reporting and cost analysis, maintaining contract, legal fees and consultancy registers and the preparation of the cost breakdown of individual infrastructure assets to HIB. <strong>Note:</strong> This officer is also responsible for the creation, monitoring and maintenance of purchase orders, general journals and internal order numbers.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Software Works in Progress (SWIP)</strong></td>
<td>Work undertaken for new or developed software or upgrade enhancements to existing software.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Upgrade or Enhancement</strong></td>
<td>Capital invested in an existing asset to improve its condition and performance (service potential) of the asset and extends its useful life.</td>
<td>HIB</td>
</tr>
<tr>
<td><strong>Useful life</strong></td>
<td>An estimated period of time over which an asset is expected to be used, or the benefits represented by the asset are expected to be derived by Queensland Health. <strong>Note:</strong> The asset must have an expected useful life of more than twelve months. <strong>Note:</strong> All non-current assets having limited a useful life are to be depreciated in accordance with AASB 116, 136, and 138 and Queensland Treasury’s Non-Current Asset policies for the Queensland Public Sector.</td>
<td>HIB</td>
</tr>
</tbody>
</table>