

Financial commissioning of capital infrastructure and software works in progress

Policy

QH-POL-350-2015

1. Statement

The Department of Health shall effectively manage the 'financial commissioning' of capital infrastructure and software works in progress (CWIP and SWIP) for Department of Health facilities throughout the life of a project to ensure timely, accurate and appropriate capitalisation of assets.

2. Purpose

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 'recorded' 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 Financial Commissioning and Capitalisation of Expenditure on Property, Plant and Equipment Guideline.

3. Scope

This policy applies to all employees, contractors and consultants within the Department of Health divisions and commercialised business units.

This standard can be used by Hospital and Health Services either as is, by re-branding or as a base for a Hospital and Health Service specific policy.

4. Principles

The department is committed to applying the following principles for CWIP and SWIP:

- transparent recording and management of costs associated with works in progress
- accurate and timely recording of information for reporting purposes
- effective management of departmental assets.

5. Definitions

Term	Definition
Asset	<p>A resource controlled by Department of Health as a result of past events and from which future economic benefits are expected to flow to the State.</p> <p>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.</p> <p>Note 2: Portable and attractive equipment that does not meet the asset recognition threshold is expensed.</p>
Asset class	<p>The prescribed category of asset which is identified by threshold, the type of item.</p> <p>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.</p> <p>Note: Asset Classes are as follows:</p> <ul style="list-style-type: none"> • 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.
Asset officer	<p>The person responsible for administering and maintaining the asset register for the HHS, division.</p> <p>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.</p> <p>Note 2: To assist in asset recognition of threshold refer to 1.3.4, "Asset Accounting Asset Recognition Quick Reference Sheet".</p>
Asset shell	<p>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.</p> <p>Note: The threshold of the asset determines the type of asset class.</p> <p>Note: The useful life is assigned to the asset shell and on assignment of the relevant asset category the allocated asset shell is created.</p>
Capitalisation	<p>The transfer of expenditure from CWIP or SWIP to record an asset in Department of Health's asset register.</p>
Capital Works in Progress (CWIP)	<p>An asset under construction, installation, upgrade or enhancement that is recorded in the Investment Management Module within the Financial and FAMMIS.</p> <p>Note: An asset includes building infrastructure, hardware, software, group 1 assets and land works that upon completion will be identified as an asset in the Department of Health's financial statements.</p>
Financial Commissioning	<p>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.</p>

Financial and Materials Management Information System (FAMMIS)	An integrated business management solution which utilises SAP R/3 enterprise resource planning software. It is a fully integrated system that has enabled the Department of Health to consolidate a range of business processing and reporting functions and implement accrual accounting across all HHSs and System Manager.
Group 1 asset	An item supplied and installed by a Building Contractor as part of a capital works infrastructure project.
Investment Management Module	The capital investment recording module within FAMMIS. Note: 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.
Nominal life	The nominal life of an asset is the useful life assigned to the asset class to which it belongs.
Physical/Practical Completion	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 the Department of Health.
Practical Completion (PC) Certificate	The certificate issued by the Building Contractor or HHS' maintenance unit advising the completion of a stage of work. Note: 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.
Responsible Officer	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. Note: This officer is also responsible for the creation, monitoring and maintenance of purchase orders, general journals and internal order numbers.
Software Works in Progress (SWIP)	Work undertaken for new or developed software or upgrade enhancements to existing software.
Upgrade or Enhancement	Capital invested in an existing asset to improve its condition and performance (service potential) of the asset and extends its useful life.
Useful life	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 the Department of Health. Note: The asset must have an expected useful life of more than twelve months. Note: 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.

Version Control

Version No.	Date	Comments
Version 1.0	1 March 2012	New document
Version 2.0	20 May 2015	Policy Rationalisation Project review