



8.8	FIXED ASSET ACCOUNTING POLICY
WARD:	WHOLE OF MUNICIPALITY
GENERAL MANAGER:	CHRIS CARROLL, ORGANISATIONAL PERFORMANCE
PREPARED BY:	ELIZABETH ERSKINE, SENIOR FINANCIAL ACCOUNTANT DENNIS O'KEEFFE, INTERIM CHIEF FINANCIAL OFFICER
TRIM FILE NO:	34/01/75
ATTACHMENTS:	1. Fixed Asset Accounting Policy 2017- Draft

PURPOSE

To obtain Council approval of the revised Fixed Asset Accounting Policy. This policy prescribes the principles for the recognition, recording and accounting for Council's fixed asset and capital expenditure transactions in order to ensure Council meets legislative requirements under the Local Government Act and Australian Accounting Standards.

1. RECOMMENDATION

That Council:

- 1.1 Adopts the Fixed Asset Accounting Policy set out in Attachment 1 to this report.

2. BACKGROUND

- 2.1 The City of Port Phillip Council has a significant investment of public funds in the assets utilised and maintained by Council. As at 31 March 2017 the total value of Council's fixed assets is \$2.55 billion.
- 2.2 Due to the high value of Council's fixed assets there is a significant risk of material financial misstatement at the end of financial year if Council does not have an up to date fixed asset accounting policy which complies with legislation and Australian Accounting Standards.
- 2.3 There has been no significant changes in the relevant accounting standards since the Fixed Asset Policy was last formally reviewed in 2006 and endorsed by the Audit and Risk Committee.
- 2.4 However, in 2015/16, as part of the external audit process, the Victorian Auditor-Generals Office (VAGO) recommended that the Fixed Asset Accounting Policy be formally reviewed, updated and approved by Council.



3. KEY INFORMATION

- 3.1 In responses to recommendations from VAGO the fixed asset accounting policy has been updated and is being presented to Council for approval. The policy was endorsed by the Audit and Risk Committee on 2 May 2017.
- 3.2 The policy has been updated to include the following information:
 - 3.2.1 Guidance on the determination of whether costs are attributable to the cost of an asset or are operating in nature.
 - 3.2.2 Treatment of low value items which comprise a network of assets, including computers.
 - 3.2.3 Clearly defined roles and responsibilities for decision making related to cost determination, disposal of assets, revaluation methodology and posting to the general ledger.
 - 3.2.4 Stipulation of straight line depreciation as the applicable method used at City of Port Phillip.
 - 3.2.5 The accepted measurement basis for each asset class and the timing of valuations.
 - 3.2.6 The process for treatment of assets which have been determined as held for sale.
 - 3.2.7 The current status of land under roads asset valuations.



FURTHER SUPPORTING INFORMATION

4. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 4.1 This report supports the Council Plan Objective 1.2 ‘ Value Transparent Processes in Council Decision Making’ and is specifically aligned to the following key actions that form part of this objective:
 - 4.1.1 Ensure long-term financial viability through robust financial management and accountability.
 - 4.1.2 Ensure Council’s decision making processes, reporting and information provision is transparent and clear.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 The policy was prepared following recommendations from Council’s external auditors RSM Bird Cameron who act on behalf of and are appointed by the Victorian Auditor-General, and in consultation with the Asset Management and Property department.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 The updated policy is required to mitigate the possibility of a material misstatement of Council’s financial statements and a qualified audit opinion.
- 6.2 A qualified audit opinion would be reported to Parliament and have an impact on Council’s reputation.

7. SUSTAINABILITY – Triple Bottom Line

7.1 ENVIRONMENTAL IMPLICATIONS

- 7.1.1 Not Applicable.

7.2 SOCIAL & CULTURAL IMPLICATIONS

- 7.2.1 Not Applicable.

7.3 ECONOMIC IMPLICATIONS

- 7.3.1 Not Applicable.

7.4 FINANCIAL IMPLICATIONS

- 7.4.1 The net value of Council’s fixed assets at 31 March 2017 is \$2.55 billion. The policy will apply to fixed asset transactions for 2016/17 and beyond.

8. IMPLEMENTATION STRATEGY

8.1 TIMELINE

- 8.1.1 Immediate. The policy will apply from the date of approval and all asset and capital transaction decisions will be made with reference to the policy.

AGENDA - ORDINARY MEETING OF COUNCIL – 7 JUNE 2017



8.2 COMMUNICATION

8.2.1 The approved policy will be placed on the intranet and available to all staff.

8.2.2 Key staff and departments will be notified by the financial accounting team of the updated policy and key changes.

9. OFFICER DIRECT OR INDIRECT INTEREST

9.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.