

ACT ACCOUNTING POLICY



AAPP 103 - ACT Accounting Policy Paper on Portable and Attractive Items

**FOR REPORTING PERIODS ENDING ON OR AFTER
30 JUNE 2006**

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1 Introduction

1.1 Application

1.1.1 Purpose

This ACT Accounting Policy: *Portable and Attractive Items* provides general guidance to ACT Government agencies on accounting for and the management of portable and attractive items.

1.1.2 Relationship to International Financial Reporting Standards

ACT Accounting Policies are to be read in conjunction with the applicable Australian Accounting Standards. Australian Accounting Standards incorporate International Financial Reporting Standards issued by the International Accounting Standards Board, with the addition of paragraphs on the applicability of each standard in the Australian environment.

There is, however, no intention that the ACT Accounting Policies will replicate the Australian Accounting Standards. Consequently, agencies should ensure that they have a thorough understanding of the content of the standards before reading and applying relevant ACT Accounting Policies.

1.1.3 Application Date

This ACT Accounting Policy Paper applies to reporting periods ending on or after 30 June 2006.

1.1.4 Agencies covered by this Policy

This policy applies to ACT directorates and Territory authorities.

1.1.5 Contact

If you have any questions regarding the content or application of this ACT Accounting Policy, please do not hesitate to contact the ACT Accounting Branch policy section to provide further clarification. Contact details are listed on the website: www.treasury.act.gov.au/accounting/html/contacts.htm

2 Portable and Attractive Items

2.1 *Financial Management Act 1996 Responsibilities*

Directors-General of directorates and chief executive officers of territory authorities are responsible under section 31(2)(e) and section 55(3)(g) respectively of the *Financial Management Act 1996* for ensuring that adequate control is maintained over assets held by the directorate or authority. In this context, the term “assets” is broader than defined for financial reporting and includes portable and attractive items held by a directorate or authority.

As a result, ***directors-general and chief executive officers must ensure that their agencies have arrangements in place that identify and control key portable and attractive items*** as part of an effective risk management and internal control strategy. These arrangements should aim to:

- manage operational risks to an acceptable level including ensuring that portable and attractive items are adequately monitored and protected against theft or loss;
- manage agency’s resources prudently; and
- balance the benefits of maintaining greater control against the administrative costs.

While agencies will tailor arrangements associated with portable and attractive items to their respective business environments, a number of issues are common to all agencies. The following are addressed by this Policy:

- definition of portable and attractive items;
- recognition of portable and attractive items;
- responsibility for monitoring and control;
- portable and attractive registers; and
- stocktakes.

Agencies are encouraged to address relevant issues associated with portable and attractive items in their respective Director-General Financial Instructions (DGFIs) or Chief Executive Financial Instructions (CEFIs).

2.2 Definition

Portable and attractive items are non-consumable items that:

- have a value below an agency’s capitalisation threshold (this threshold is between \$2,000 and \$5,000); ***and***
- are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

Following are examples of items often meeting this definition:

- | | |
|--------------------|--------------------------------|
| • laptop computers | • mobile phones |
| • PDAs/Palm pilots | • cameras – digital/film/video |

- lite-pros/projectors
- label printers
- televisions
- power tools
- DVD/video players
- firearms
- other audio-visual equipment

2.3 Recognition

2.3.1 Accounting Treatment

By definition, **portable and attractive items** do not meet the asset capitalisation threshold and, consequently, **are expensed in the financial year in which they are acquired**.

2.3.2 Identification and Control

Nonetheless, as mentioned above, agencies must ensure that they have effective arrangements in place to identify and control key portable and attractive items.

Portable and Attractive Thresholds

Portable and attractive thresholds allow agencies to exclude low value/low risk items. Agencies may set different thresholds for different categories of items, depending on the risk associated with each category and the agency's operating environment.

In general, **agencies must select a threshold between \$100 and \$500 inclusive**. However, a threshold of 'nil' would apply to firearms and other similarly high risk items, that is, all firearms held by an agency must be identified and controlled.

2.4 Responsibility for Monitoring and Control

DGFIs/CEFI's must specify where responsibility for portable and attractive items lies.

Generally, responsibility for the safe custody of portable and attractive items is devolved to the level that makes the purchase decision (i.e. operational unit or cost centre level). However, agencies with few portable and attractive items may find it more effective to centralise the monitoring and control of portable and attractive items (e.g. at the branch, division or directorate level).

Where agencies issue portable and attractive items to employees for their specific use, agencies should have appropriate systems in place to ensure that all items issued are returned (or accounted for) on or before the employee's last day with the agency. Ideally, agencies should integrate this with formal employee exit procedures.

2.5 Portable and Attractive Register

Agencies must maintain at least one portable and attractive register. The portable and attractive register for each area must include all items held by the area that:

- meet the portable and attractive definition; and
- meet the portable and attractive threshold for that item; and
- are **not** software.

2.5.1 Register Information

A portable and attractive register must include the following information for each item:

- | | |
|--|---|
| • ID number (e.g. register or barcode number) | • responsible area (e.g. branch/section) |
| • description (e.g. brand, model, serial number, other identifying features) | • contact person/holder (e.g. name, phone number, location) |
| • purchase date | • disposal date |
| • purchase cost (or equivalent) | • disposal method (e.g. lost, stolen) |

An example of a portable and attractive register is provided at **Attachment A**.

2.5.2 When to Identify Items on the Register

While ideally portable and attractive items are identified on the register as they are acquired, this is not always feasible or cost effective. Consequently, agencies may choose to review minor asset purchases on a monthly or quarterly basis as a more effective means of identifying portable and attractive items.

2.5.3 When to Remove Items from the Register

Portable and attractive items are removed from the register when they are disposed of (e.g. due to being obsolete, surplus or damaged beyond repair) or lost or stolen. Ideally, items should be removed at the time of the disposal. However, items that are lost or stolen may only be identified during a stocktake.

Agencies must have adequate controls over the removal of portable and attractive items from the register. All items removed must be properly authorised by the head of the responsible area (see Section 2.3 above) and **cannot** be undertaken by the person assigned to maintain the portable and attractive register.

Information relating to items that are lost or stolen should be retained for at least three years, to assist in assessing the effectiveness of the area's control of portable and attractive items as well as identifying any emerging trends. This information can be reinstated on the register if the items are recovered (an example is provided at **Attachment A**).

2.5.4 *InTACT items*

Many agencies lease or purchase portable and attractive items through InTACT, and consequently, they do not need to be recorded on a separate agency register. However, agencies may want to include certain InTACT items on their portable and attractive register in order to maintain physical control of those assets. For example, where an operational area holds laptop computers for shared use, it may wish to register details relating to the usage of these computers (e.g. staff name, when issued and returned, location etc).

All portable and attractive items that are leased or purchased through InTACT and not included in the above list should be included on the relevant agency register.

2.6 Stocktakes

Stocktakes are the mechanism that assists directors-general and chief executive officers in confirming the existence and proper control over assets. Stocktakes also ensure that operational units are accountable for the portable and attractive items under their control and assist them to:

- identify items that have been lost or stolen and, where possible, recover them; and
- assess the effectiveness of control practices for portable and attractive items and, where required, improve them.

2.6.1 *Frequency of Stocktakes*

Agencies must ensure that stocktakes of portable and attractive items are performed at least once a year, in order to safeguard identified portable and attractive items. The CEFI should state the frequency of stocktakes for portable and attractive items.

2.6.2 *Responsibility for the Stocktake*

The responsibility of performing the stocktake rests with the area responsible for the portable and attractive register. However, the person assigned to perform the stocktake must not maintain the portable and attractive register.

2.6.3 *Results of Stocktake*

The results of each stocktake must be provided to the head of the operational unit or cost centre responsible for reporting on portable and attractive items. The head of the operational unit or cost centre should then address any significant issues of concern.

ATTACHMENT A – EXAMPLE OF PORTABLE AND ATTRACTIVE REGISTER

Below is an example of a Portable and Attractive Register based on a threshold of \$100 and an asset register threshold of \$5,000. Included at the end of the Portable and Attractive Register is a list of items that have been lost or stolen. This register should be used as an example only.

Portable and Attractive Register of Example Agency

Date of Purchase	ID Number	Description of Item	Manufacturers Serial Number	Responsible Area	Relevant Person Holding the Item	Cost
Laptop Computers						
xx/xx/xxxx	0001	laptop computer	S222 101 000	Example Branch	Example Person	\$1,999
xx/xx/xxxx	0002	laptop computer	S222 101 001	Example Branch	Example Person	\$2,500
Projectors						
xx/xx/xxxx	0004	projector	565 220	Example Branch	Example Person	\$3,500
Mobile Phones						
xx/xx/xxxx	0005	mobile phone	88 000 100	Example Branch	Example Person	\$150
xx/xx/xxxx	0006	mobile phone	88 000 101	Example Branch	Example Person	\$150
xx/xx/xxxx	0008	mobile phone	88 000 103	Example Branch	Example Person	\$200
xx/xx/xxxx	0009	mobile phone	88 000 104	Example Branch	Example Person	\$1,000
Palm Pilots						
xx/xx/xxxx	0010	palm pilot	162 160	Example Branch	Example Person	\$100
xx/xx/xxxx	0011	palm pilot	162 161	Example Branch	Example Person	\$100
xx/xx/xxxx	0012	palm pilot	162 162	Example Branch	Example Person	\$320
Digital Cameras						
xx/xx/xxxx	0013	digital camera	T 125 000	Example Branch	Example Person	\$350

Lost or Stolen Items taken off the Register

Date Taken off the Register	ID Number	Reason for being taken off the Register	Description of Item	Manufacturers Serial Number	Responsible Area	Relevant Person Holding the Item	Cost
xx/xx/xxxx	0003	Stolen	laptop computer	S222 101 002	Example Branch	Example Person	\$2,500
xx/xx/xxxx	0007	Lost	mobile phone	88 000 102	Example Branch	Example Person	\$200