

# Whole-of-Government Approach for Consistent Asset Identification July 2003



Queensland  
Government  
Treasury

Smart Asset Management

Performance

Financial Management



**Table of Contents**

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1. Background.....	1
2. Objectives.....	2
3. Scope .....	3
4. Key Principles.....	4
5. Benefits .....	6
6. Key Elements .....	6
7. Consistent Whole-of-Government Approach to Asset Identification ..	8
8. Consultation.....	13
9. References.....	13
Appendix 1 .....	15
Appendix 2 .....	19
Appendix 3 .....	20
Appendix 4 .....	20
Appendix 4 .....	21
Appendix 5 .....	21
Appendix 5 .....	22
Attachment A .....	23
Appendix 6 .....	27



## **1. Background**

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The Cabinet Budget Review Committee (CBRC) supported the ASAP Asset Management (AM) Review Steering Committee's proposal that a whole-of-Government approach to asset maintenance and management is critical to ensure that value for money outcomes are achieved and service delivery outcomes are enhanced.

It is recognised that, within this context, improvements in asset management practices are not likely to be achieved unless agencies and whole-of-Government at all levels have access to relevant, reliable, accurate and timely information on assets. The integrity of asset information is paramount to improving the relevance and reliability of asset management and asset financial reporting and asset strategic planning at agency and whole-of-Government levels.

Asset identification is a key component of asset information. The establishment of a consistent whole-of-Government approach to asset identification will enable all agencies to use the same approach in recording and updating asset records. Having a recognised consistent key asset identifier across Government will provide opportunities to streamline and simplify other agency business processes, as well as to enable links to be created to external asset information sources. There would also be further opportunities to enable asset information to be accessed and extracted seamlessly across agencies for management, planning and reporting purposes.

This approach supports the key principle of "Efficient and Effective Reporting", which forms part of the whole-of-Government approach to asset maintenance and management systems. This approach also supports the development of standardised systems through the ASAP Shared Service Initiative and the information quality aspects of the ASAP Strategic Information Management Review.

## **2. Objectives**

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The objectives of this whole-of-Government approach for establishing consistent asset identification requirements are:

- € supporting the establishment of consistent core asset information requirements to enable improvements to the quality, reliability and integrity of asset information for asset management and asset financial reporting purposes;
- € providing the basis to simplify and streamline asset management and asset financial reporting by enabling asset information to be seamlessly accessed and extracted across all agencies;
- € establishing a consistent asset identification framework across government to;
  - € promote a reference point for linkages for internal and external business processes and internal and external stakeholders; and
  - € streamline and simplify operational and strategic business process information requirements.
- € improving the integrity of asset information used for agency and whole-of-Government decision-making and planning; and
- € supporting the establishment of adequate internal controls over the management of assets. Agencies must establish internal control processes to ensure that assets are correctly recognised and recorded for asset identification.

The purpose of this document is to establish the guiding principles for asset identification at an agency and whole-of-Government level.

For implementation of consistent asset treatment across government, there is a need to have a consistent approach to asset identification. Having a consistent approach to asset identification will also ensure that there is a primary key identifier of master asset data across all relevant information systems. This key identifier will be the primary link to the

different processes within entities, across government and for external stakeholders.

By also including a common identifier for physical location of assets, together with an asset master key identifier, there is the ability to ensure assets are registered, recorded and managed appropriately throughout their life cycle.

It is recognised that agencies may have specific business needs that require particular asset information to be collected and recorded. Agencies also need to ensure that appropriate processes are established to manage asset information over its full lifecycle to support their business needs. This includes processes to ensure integrity, accuracy, currency and completeness of asset information collection, storage, access, use and disposal.

### **3. Scope**

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This whole-of-Government approach relates to the information aspects for asset financial and asset management reporting of all non-current assets in the General Government Sector and covers the following:

- € developing and maintaining a consistent whole-of-Government approach to asset identification;
- € supporting consistency of asset identification, so that information about assets can be accessed seamlessly across Government; and
- € establishing arrangements for agency information to be available for whole-of-Government reporting.

This approach does not cover financial assets, tax assets, self-generating and regenerating assets or inventories. This is consistent with the *Non-Current Asset Accounting Guidelines for the Queensland Public Sector*, Queensland Treasury, May 2001.

#### 4. Key Principles

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The seven key principles that need to be considered when developing a whole-of-Government approach for establishing asset information requirements for asset financial and asset management reporting are detailed below.

1. *Assets are efficiently and effectively* managed. Information, including a consistent approach to asset identification is critical to enable assets to be managed effectively and efficiently at both agency and whole-of-Government levels. Information is also needed for strategic and operational planning. Through the improvements to strategic planning for assets, available resources will be used more efficiently and effectively and the future investment in and ongoing management of assets will better align with Government priorities and service delivery objectives.
2. *Enhanced service delivery outcomes.* Assets are an essential component in the delivery of services and impact on the output costs of the service provided. Improving the way in which assets are managed will minimise risks to service delivery performance and contribute to more efficient pricing for the delivery of services.
3. *Optimisation of resources across Government.* A key objective of the ASAP process is to identify opportunities to realign activities and resources to achieve the Government's outcomes and to improve efficiency. The inconsistency of asset information presents a significant risk to Government in terms of:
  - ∉ reliability and accuracy of asset information contained in different repositories and the associated audit risks;
  - ∉ the reconciliation between various asset information repositories creates duplication of effort in terms of agency resources used to undertake the reconciliation;
  - ∉ the use of resources to maintain various asset registers where information is stored in a variety of forms.

4. ***Efficient and Effective Reporting Processes.*** Consistency in information collection and storage will enable more efficient, streamlined and simplified reporting processes to be established through the use of technology.
5. A key component of this principle is consistency in asset identification to enable linkage between asset information contained in systems external to agencies which contains asset information required for operational or strategic management business processes.
6. ***Consistency with other Whole-of-Government ASAP Reviews.*** The whole-of-Government approach developed as part of the Asset Management Review needs to be consistent with the approaches to the management of information and systems across Government, developed as part of the Corporate Services Review Shared Service Initiative and the Strategic Information Management Review, to ensure that any conflicts are avoided.
7. ***Whole-of-Government Coordinated Approach.*** A whole-of-Government approach will ensure that:
  - ∅ Government reporting requirements are clearly articulated;
  - ∅ relevant information is available for agency management and whole-of-Government reporting;
  - ∅ consistent and standardised processes are established to enable resource optimisation to be realised;
  - ∅ governance arrangements for the development of information and systems are maintained; and
  - ∅ the investment in and management of assets align with Government priorities.
8. ***Enhanced information governance arrangements.*** The integrity of asset information is paramount to improving the relevance and reliability of asset management and asset financial reporting at both agency and whole-of-Government levels. For this purpose:

- € the process should include very clear identification of asset classes and assets; and
- € the arrangements should be robust to ensure adequate information is collected and stored for statutory compliance and agency whole-of-Government planning, management and reporting purposes.

## 5. Benefits

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The following benefits are expected from a whole-of-Government approach for establishing consistent asset identifiers for asset financial and asset management reporting:

- € efficiencies gained by having physical identifiers that are able to be linked across business processes both within the agency and to other external processes.
- € enable asset information to be recorded simply, efficiently and economically and information to be obtained across Government in a seamless manner.

## 6. Key Elements

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The two key elements of the whole-of-Government approach for establishing asset information requirements for asset financial and asset management reporting are:

1. ***Asset Financial Information.*** The approach developed through the application of the key principles is to achieve the following outcomes:
  - € compliance with Financial Administration and Audit Act 1977 and Financial Management Standard 1997 and Australian Accounting Standard requirements;
  - € consistency of configuration of systems and registration of assets to ensure reliability in asset financial reporting;

- € efficient and effective whole-of-Government reporting through the use of technology rather than the creation of additional processes;
- € compatibility with agency business processes and systems;
- € generic information approaches to optimise the use of resources;
- € reducing the duplication of whole-of-Government asset registers to minimise audit risks and duplication of effort; and
- € consistent approach to the Shared Service Initiative and the ASAP Strategic Information Management Review.

The aim of having a consistent key identifier for all assets across government is to enhance asset management by providing effective asset number portability across different processes and systems. Portability is also applicable where assets are moved within agencies and across agencies.

The use of a key identifier enables an efficient process for extracting all relevant data regarding the asset. Other benefits include the ability to enable the identifier to remain throughout the asset service life to ensure best value for money is obtained from asset ownership.

Further, having a key identifier will enable agencies to link to other systems thus reducing duplication of effort and requirement to reconcile data between systems.

2. *Asset Management Information.* The approach developed through the application of the key principles is to achieve the following outcomes:

- € compliance with Financial Management Standard 1997;
- € compatibility with agency business processes and systems;
- € consistency of asset information to ensure reliability in asset management reporting;

- ≠ reducing the duplication of asset financial and asset management information contained in agency and whole-of-Government asset registers to minimise audit risks and duplication of effort;
- ≠ efficient and effective whole-of-Government reporting through the use of technology rather than the creation of additional processes; and
- ≠ consistent approach to the Shared Service Initiative and ASAP Strategic Information Management Review.

## **7. Consistent Whole-of-Government Approach to Asset Identification**

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Agencies must have the appropriate internal controls in place to ensure that assets are recorded and recognised for accountability and financial reporting purposes. A sound system of internal controls is essential if an agency is to ensure that its resources are deployed in the most appropriate manner to satisfy the accountability provisions of the *Financial Administration & Audit Act* and the *Financial Management Standard 1997*). The Standard encourages a holistic approach to asset management. Section 45 (1) & (2) of the Standard requires agencies to put in place systems for asset management, including providing for identification and recording of assets.

Assets that are purchased, constructed or donated that meet the recognition criteria under SAC 4 must be recognised, classified and recorded and identified in accordance with AAS 21 and depreciated over their estimated useful life in accordance with AAS 4. Agencies must also ensure that assets are correctly recognised and recorded having regard to *Queensland Treasury's Non-Current Asset Accounting Guidelines for the Queensland Public Sector*.

The consistent whole-of-Government approach to asset identification requires the use of inventory numbers to record and account for assets. It has been determined, through a broad review of agency business processes, that the asset inventory number is the most suitable key asset identifier as it is used in a number of business processes.

The asset inventory number, as currently recorded in the SAP financial system, is used to record the barcode label number which is attached to the asset. This applies to plant, equipment and building assets. For land assets, the Government Land Register (GLR) number is used as the asset identifier for the inventory number. It is recognised that not all land parcels are recorded in the GLR due to the sensitivity of public disclosure of the information. In this instance the agency's own inventory number would be used for the surrogate inventory number.

The location code is used to record the physical location of the asset, for financial management purposes.

Asset identifiers should also be used for infrastructure assets, however, the use of asset inventory numbers may be treated differently for network (infrastructure) assets. For example, the equivalent of an asset inventory number may be recorded in some other system such as an asset management system to reflect the separate sections of the network asset and then reported in the financial management system as one network asset.

Agencies should ensure that there are adequate internal controls established to account for portable and attractive items. The inventory number should be used as the asset identifier for portable and attractive assets.

Complex assets that have separately identified components that have different estimated useful lives for accounting purposes should have separately identified inventory numbers recorded in the financial management systems. For example, a building would be the main asset with separate components such as fitouts, air-conditioning and so on.

The key identifier would be initially recorded in the Financial Management system and then be transposed to other key business processes and systems such as Asset Management systems. The key identifier would be used for internal business processes such as asset stocktake and asset valuations. The use of a key identifier would enable agencies to link to external systems to assist in the business processes. For example, for asset valuations, the ability to interrogate

the GLR database for details regarding location, lot & plan details and various other reference information.

## FLOWCHARTS

### *Identifiers*

These flowcharts are only a guide at a high level showing the linkage between asset accounting, asset management and other interfaces such as the project ledger within the SAP financial system. The flowchart is specifically identifying the link between asset accounting and asset management systems. The asset record in either system that links them should be the Inventory number for plant, equipment, building and land assets. To streamline reconciliation processes between agency systems to the GLR, the GLR number will be used as the Inventory Number for land assets.

### *Physical Location*

The Financial Management System, for example SAP, has a number of fields that assist the business with tracking the physical location of the asset for financial management purposes. The main field that would be used is the LOCATION field.

The Asset Management Systems would also include a physical location field but would also include further breakdown structures such as site identification. For example, the FUNCTIONAL LOCATION field in the SAP Plant Maintenance module would be used to determine where the asset is physically held and also include other attributes regarding the asset for asset management purposes.

Appendix 1 sets out various fields that are included in the Financial Management System regarding Asset Master Data. The Appendix only describes information requirements relating to the organisational allocations. Organisational allocations specifically refer to asset identification and physical location. Key identifiers are usually linked to other asset management systems that may or may not be included in the Financial Management systems. Part 2 of the Appendix sets out further key identifiers used by entities across government to track information regarding assets.

Appendix 2 is a high level flowchart showing the linkages between Asset Master Data and other business processes. The flowchart is highlighting that:

- € the Inventory number is the key identifier for plant, equipment and building assets, and
- € the GLR number is used as the key identifier for land assets.
- € all assets must have a primary identifier for physical location.

Appendix 3 describes the process from initial recognition and recording of assets to other business processes such as stocktake, valuations and asset management processes. When a decision is made to create an Asset Master Data record, the process is dependent on;

- € whether the asset is new and an external acquisition; or
- € completion of a capital work in progress; or
- € enhancement to existing asset or
- € assets not recorded in the FMS and found at stocktake.

*(Creation of Asset Master data is not limited by these criteria).*

Appendix 4 describes the link from these other business processes back to the Asset Master Data.

#### LAND ASSETS

Appendix 5 sets out the rules to follow when identifying and recording land assets.

The following should be considered when recording land assets in the relevant asset registers, including the Financial Management System (FMS), Asset Management Systems and the Government Land Register (GLR):

- € Consider the current/future usage and commercial benefits to the agency of the land asset when identifying and recording.

- € When deciding on whether to amalgamate land parcels for recording purposes, consideration should be given as to the class of land asset to which they belong. Land assets from different classes cannot be recorded using the same asset identifier. These assets should remain separate for reporting purposes.
- € Land assets that are within a defined geographical site that can be identified as having a single purpose use to the agency, such as a school should be recorded using 1 asset identifier. This is regardless of the number of buildings within the site. The deciding factor in how to recognise and record land assets is identifying how they will be valued.
- € Ensure that when recording land assets that the following rule applies:
  - € 1 Asset Inventory Number = 1 GLR Number
  - € Internal controls and good accounting practice should be applied when accounting for assets.
  - € *Attachment A* sets out a number of examples which will assist you with deciding on how to record and identify assets both in the FMS and the GLR.

DEFINITIONS	
Sub Class	A sub-grouping of similar assets within an asset class. Assets in the same sub-class for financial reporting purposes.
Single Title	Single title and single lot&tplan or multiple lot&tplans
Multiple Titles	Multiple titles and multiple lot&tplans.
Single Purpose	Asset is used as a single purpose site, for example, a hospital, school or district office.
Multiple Purpose	Asset is used as a multiple purpose site, with a different use for each land parcel within a defined geographical location. These assets are recorded and reported separately for financial reporting purposes. For example, in a single geographical location, there may be a multiple purpose site which has a district office, a customer service centre and a depot. These assets should be recorded and valued separately for financial reporting purposes. <i>See Example 4 - Attachment A</i>
Single Location	Assets may have a single purpose and a single geographical location. In simple terms, a fence defines the boundary.

DEFINITIONS	
Multiple Locations	<p><i>See Example 1 - Attachment A</i></p> <p>Assets may have a single purpose but have dispersed geographical locations. A service may be dispersed across a number of locations. For example, A university may have several campus locations within a suburb, town or city which are dispersed geographically.</p> <p><i>See Example 2 - Attachment A</i></p> <p>A school may have multiple locations that is divided by a road and are recorded and valued as separate assets.</p> <p><i>See Example 3 - Attachment A</i></p>

## ASSET MANAGEMENT

Appendix 6 shows links between Asset Accounting and Asset Management processes both within and external to entities.

## 8. Consultation

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Consultation on the paper has been in conjunction with the majority of agencies in Queensland Government. The Queensland Audit Office (QAO) has also reviewed the paper and made comments regarding the proposed approach. This paper is supported by consulted agencies and QAO.

Any system issues resulting from the requirements of this paper will be addressed as part of the Shared Service initiative.

## 9. References

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### Legislation

- € Financial Administration and Audit Act 1977
- € Financial Management Standard 1997
  - € Part 3 Division 5 Asset Management
  - € Division 5, Section 45 Elements of Systems for Asset Management

**Accounting Standards**

- € SAC 4 *Definition and Recognition of the Elements of Financial Statements*
- € AAS 4 Depreciation
- € AAS 21 *Accounting for the Acquisition of Assets*

**Treasury Documents**

- € Non-Current Asset Accounting Guidelines for the Queensland Public Sector, Queensland Treasury, May 2001.
- € Cost Effective Internal Control Guidelines: Underpinning Agency Performance, April 2002.

## Appendix 1

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### THE ASSET MASTER DATA

The Asset Master record in the Financial Management System contains all information relating to an asset that remains over the life of the asset. The Asset Master record contains information regarding technical data, organisational allocations and depreciation terms.

There are a number of SAP identifiers that are used by agencies to record and account for assets. The *Inventory* number field would be used to record the barcode label number which is attached to the asset. The *Location* field is used to record the physical location of the asset.

Asset identifiers are also used in Asset Management modules. The *Inventory* number would also be included as the asset identifier in an Asset Management module. The physical location of the asset would be included in the *Functional Location* field in the asset management system. This field is used by the business to track not only physical location, but also other attributes of the asset for complete life cycle management.

**ASSET ACCOUNTING SYSTEM**

SAP FIELD	DESCRIPTION	PURPOSE	LINK to other business processes
INVENTORY NUMBER (barcode or GLR number)	The inventory number is usually the externally generated barcode number assigned to the assets. For land assets the inventory number would be the Government Land Register (GLR) number assigned to the asset. (The inventory number can also be automatically populated in SAP in sequential number order)	External identifier by use of affixing a barcode label to the asset. For plant, equipment & building assets = Inventory (barcode) number For Land assets = GLR number.	Stocktake Asset Management Asset Valuations
ASSET NUMBER	The asset number uniquely identifies an asset.  There are two ways of identifying the asset – externally or internally. For external number assignment, the user directly assigns the asset number. The internally generated number is automatically assigned a consecutive number.	Internally generated number for financial reporting purposes. For purpose of tracking financial movements of the asset.	
BUSINESS AREA	Business Area as defined by the controlling module in SAP.	Apportionment of depreciation expenses.	
COST CENTRE	Cost Centre as defined by the business.	Apportionment of depreciation expenses.	
LOCATION CODE (primary identifier)	This field determines where the asset is physically held.	Primary identifier of physical location of asset In the absence of an Asset Management tool, location code maybe the only means of tracking the physical location of the asset.	Stocktake Asset Management

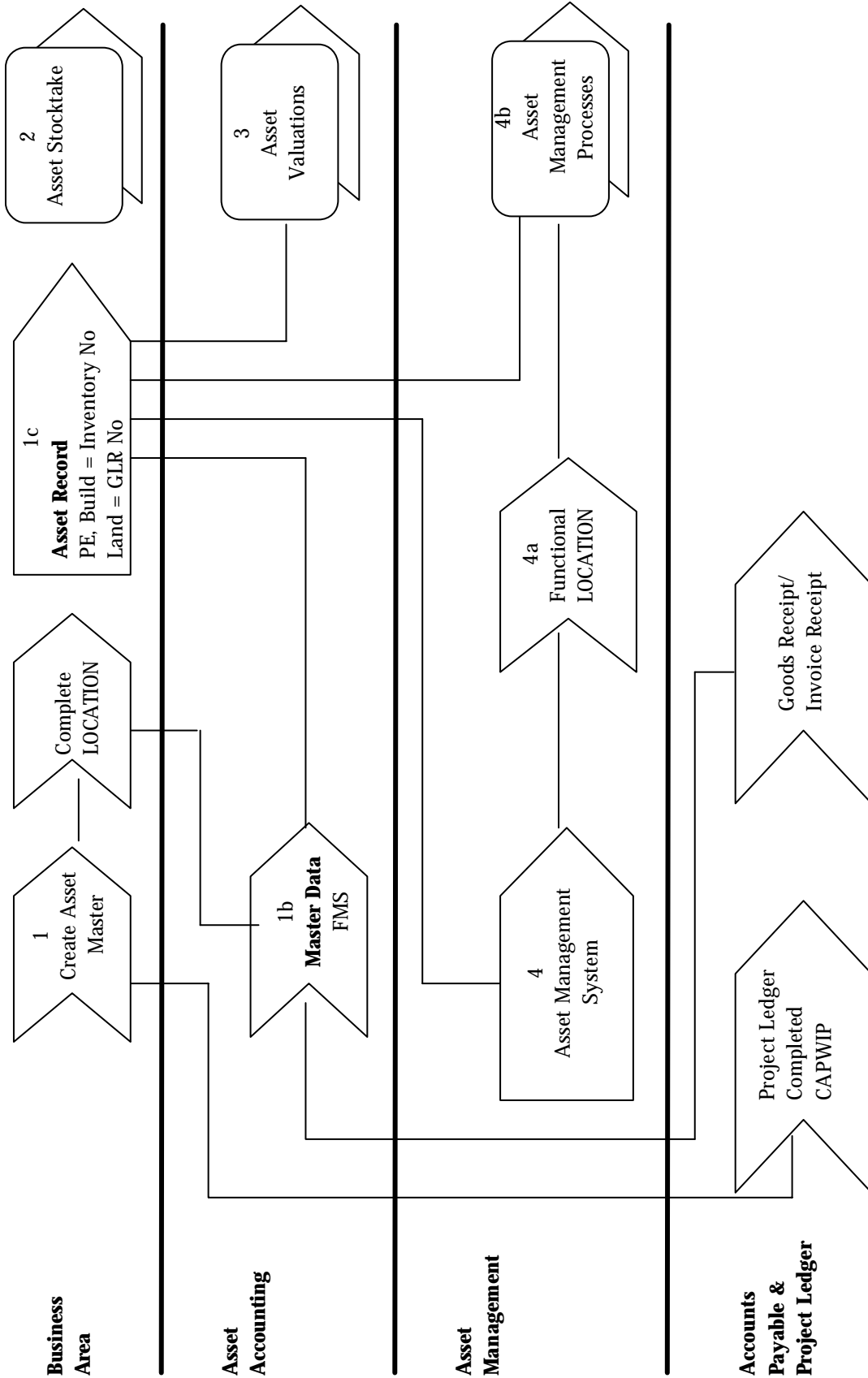
SAP FIELD	DESCRIPTION	PURPOSE	LINK to other business processes
PLANT (optional identifier)	This field can be used to further define the physical location of the asset. For example, define a district or division in an entity.	Used as another tool by business to track physical location of asset.	
ROOM (optional identifier)	Field is used to assign a room number to an asset for tracking purposes.	Used as another tool by business to track physical location of asset.	
ASSET SUPERNUMBER (optional identifier)	This field identifier can be used for a number of purposes, including grouping assets at a site location or grouping assets for other purposes. For example, linking the building asset with its subcomponents such as air-conditioning, electrical/mechanical and fitouts.	Used as another tool by business to track physical location or other attributes of the asset.	Stocktake Asset Management Asset Valuations
EVALUATION GROUPS (optional identifier)	Five evaluation groups are available in SAP. They are not pre-defined or limited in regard to their possible use.	Used as another tool by business to track physical location or other attributes of the asset.	

**ASSET MANAGEMENT SYSTEMS (Various)**

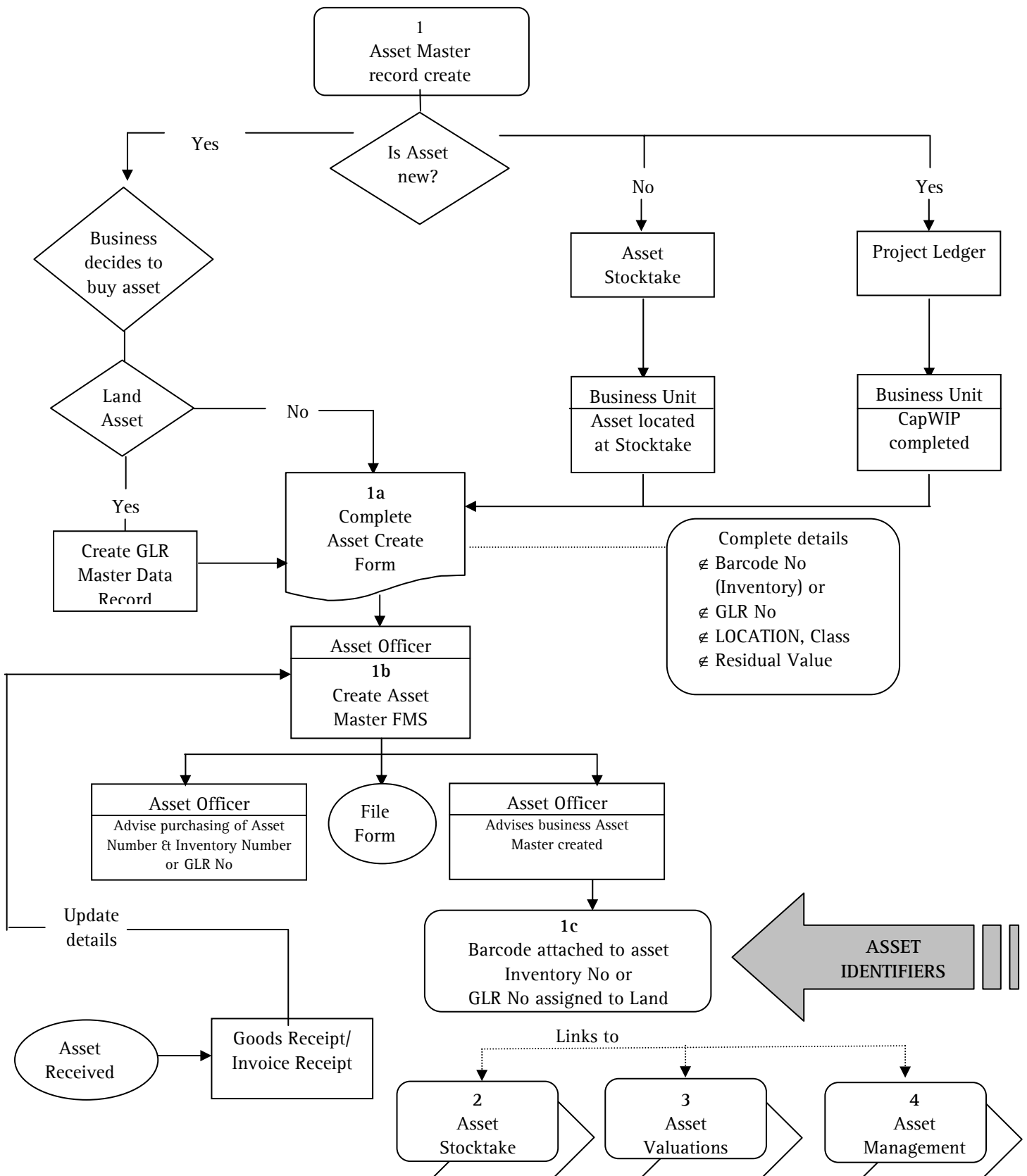
ASSET MASTER DATA	DESCRIPTION	PURPOSE	LINK to other business processes
FUNCTIONAL LOCATION	This field is used mainly for asset management purposes. Asset Managers would typically use this to identify assets for plant maintenance and other data related to the life cycle of the asset including replacement programs.	Used as a tool by business to track physical location and/or other attributes of the asset. For example, linking assets at a site location.	Asset Management Asset Valuations
GOVERNMENT LAND REGISTER NUMBER (GLR)	This is the number assigned to identify land assets in the Government Land Register (GLR) database.	Used to track all government owned land assets.	Inventory number in the financial management system. Asset Management Asset Valuations
NETWORK ASSETS	This refers specifically to Infrastructure assets that are treated as a group (network) of assets. These assets would have long useful lives and are associated with a network or system, for example, a road or water system. These assets are usually of a complex structure which requires a breakdown at lower levels for identification of the different depreciation rates and service potential.	These assets may or may not be identified/ recorded in a Financial Management system. These assets may be identified in a Financial Management system at individual component level. Asset Management modules would most likely have further breakdown structures for management purposes.	Asset Management Asset Valuations

Appendix 2

**ASSET IDENTIFICATION FLOWCHARTS**

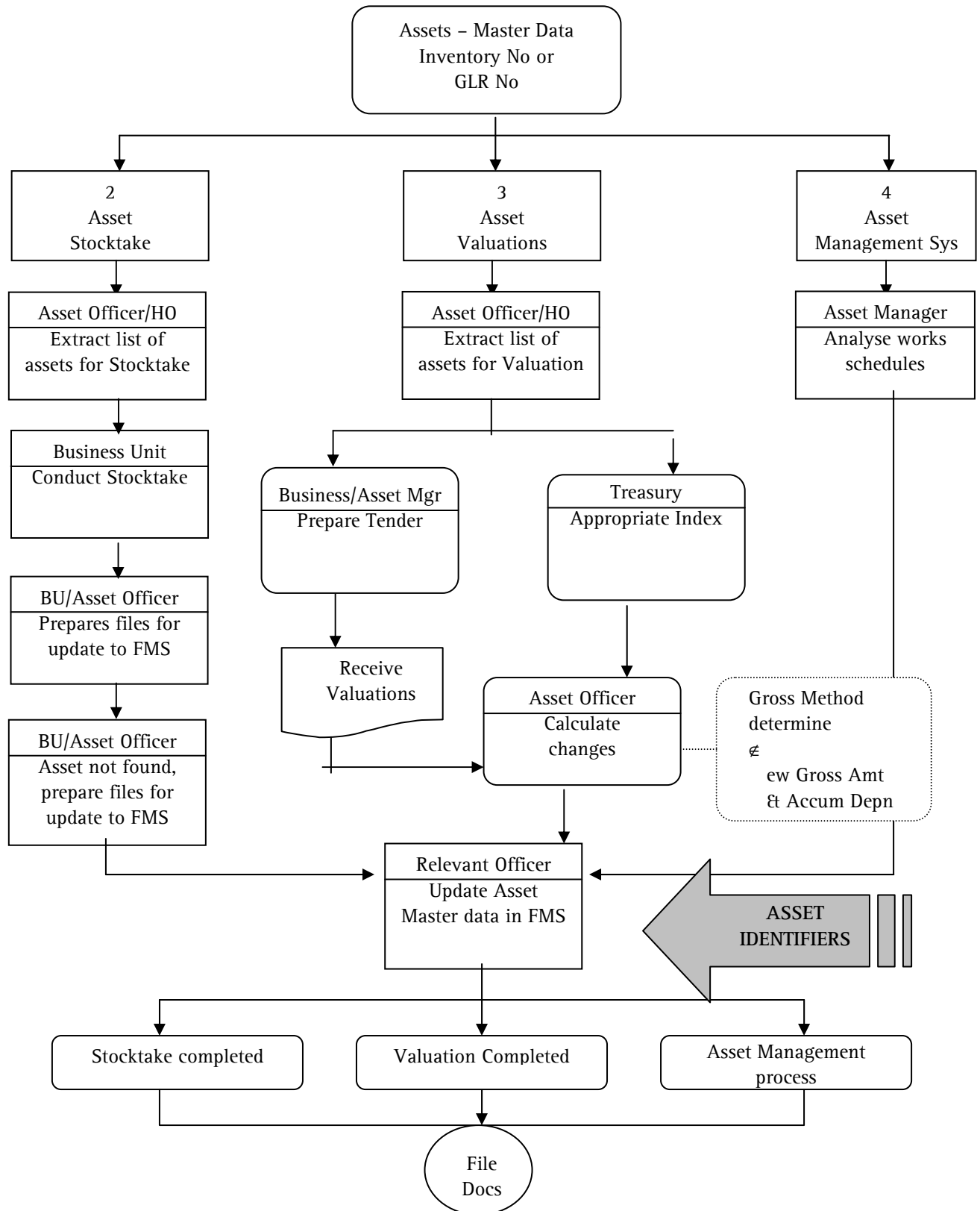


Appendix 3



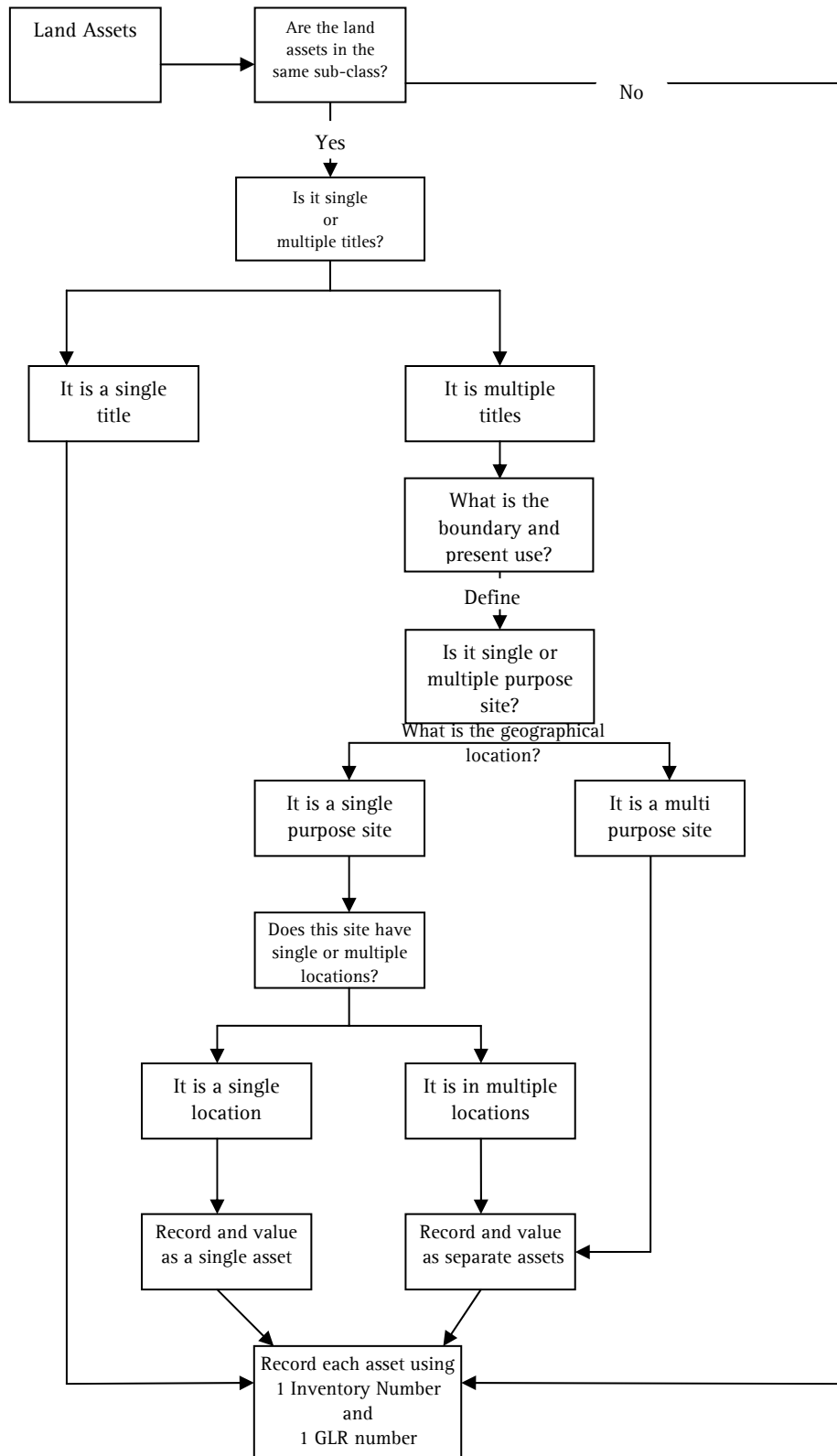
**Appendix 4**

LINKAGE TO OTHER PROCESSES



Appendix 5

ASSET IDENTIFICATION FOR LAND ASSETS



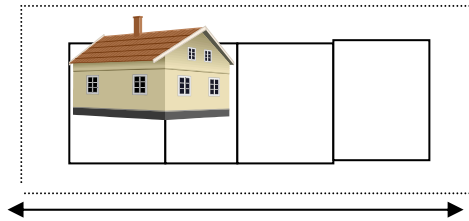
**Attachment A**

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Example 1

- € Multiple Titles
- € Single Purpose
- € Single Location
- € Single Valuation

*A District office with 4 lot&plans & 4 titles, 1 building over multiple titles, valued as 1 asset*



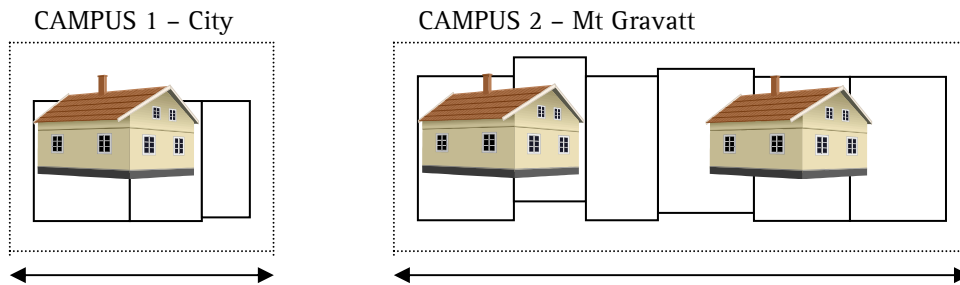
1 Inventory number &  
1 GLR number

Example 2

- € Multiple Titles
- € Single Purpose
- € Multiple Locations
- € Multiple Valuations

*A multi campus site for a university in multiple geographical locations.*

*One campus is located in the inner city and other is located in an outer suburb. The site is made up of 9 lot&plans and 9 titles with 3 buildings over multiple titles valued as 2 assets.*

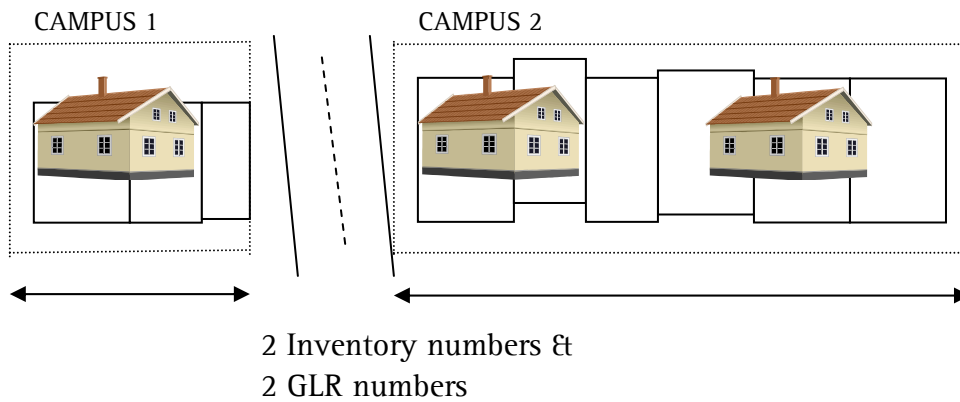


2 Inventory numbers &  
2 GLR numbers

Example 3

- € Multiple Titles
- € Single Purpose
- € Multiple Locations
- € Multiple Valuations

*A multi campus site for a school which is divided by a road (multiple geographical locations). The site has 9 lot&tplans & 9 titles with 3 buildings over multiple titles and valued as 2 assets.*

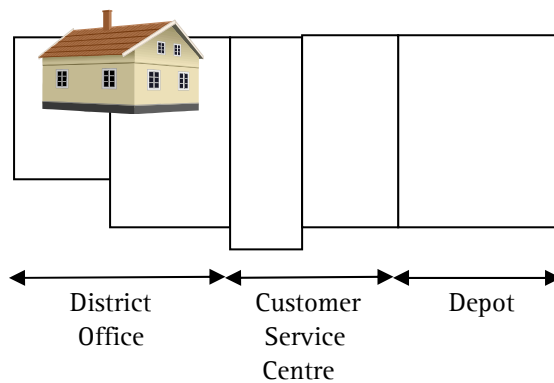


Example 4

- € Multiple Titles
- € Multiple Purpose
- € Single Location
- € Multiple Valuations

*In the following example;*

- € *the site is multiple purpose site in a single geographical location.*
- € *the site has 5 lot&plans and 5 titles with 1 building over 2 titles, valued as 3 assets.*
- € *the following are recorded in 3 separate asset sub-classes for financial reporting purposes.*



- 3 Inventory numbers &
- 3 GLR numbers

**Appendix 6**

**“VIRTUAL” WHOLE-OF-GOVERNMENT ASSET MANAGEMENT SYSTEM -  
the asset management “web”**

