

Checklist for Testing and Adjusting for Impairment

INTRODUCTION

This self-assessment checklist for identifying and accounting for impairment will help to ensure your agency's impairment processes for property, plant and equipment reflect better practice - the items in this checklist do not represent mandatory policies. The questions in this checklist should be revisited regularly to facilitate continued compliance with the Non-Current Asset Policies for the Queensland Public Sector and AASB 136 Impairment of Assets.

This checklist was compiled on a not-for-profit basis and is intended to provide guidance to not-for-profit departments and statutory bodies to assist the impairment testing and accounting process. For-profit statutory bodies should be aware of and comply with the comprehensive impairment requirements in AASB 136.

OBJECTIVE

To ensure the agency's property, plant and equipment has been reliably assessed for impairment and adjusted (where necessary).

<u>No</u>	Question	<u>Yes</u>	<u>No</u>	Improvements/
				<u>Actions</u> <u>Required</u>
	<u>SYSTEMS</u>			
1	 Does the agency have a comprehensive framework (including a governance framework) in place for annual testing for impairment of its property, plant and equipment? 			
	 Does this framework consider the identification of cash generating units (CGUs) (where applicable)? 		۰	<u> </u>
	 Are these systems/processes adequately documented in the agency's Financial Management Practice Manual? 			
2	 Has a responsible officer been assigned by management to undertake annual impairment testing of property, plant and equipment? 		٥	
	 Does the responsible officer have the appropriate skills, competencies and experience in testing for impairment of property, plant and equipment? 			<u> </u>
	For example – skills and experience from impairment testing in prior years; a working knowledge of Australian Accounting Standards, or a strong working relationship with the asset manager/accounting manager.			



No	Question	<u>Yes</u>	<u>No</u>	Improvements/ Actions Required
3	 Are the accounting policies relating to the impairment of property, plant and equipment understood by personnel co- ordinating or involved in the testing and accounting for impairment (including the systems accountant)? Refer to the Non-Current Asset Policies for the Queensland Public Sector and AASB 136 Impairment of Assets. 			
	 Are the accounting policies relating to the impairment of property, plant and equipment implemented into agency systems, processes, the Financial Management Practice Manual and other agency specific policies? 			
4	 Are the results of the annual impairment process and related adjustments (regardless of the outcome) explicitly endorsed by senior management (e.g. CFO)? 			
5	 Does the Audit Committee review the controls over the total asset management system and scrutinise the asset impairment policies, processes and/or outcomes? 			
	 If the Audit Committee has an oversight role in asset measurement, is there regular reporting to that committee on the outcomes of the impairment testing and/or adjustment process? 			
	INDICATORS OF IMPAIRMENT			
6	 Has the agency identified all key stakeholders involved in identifying the indicators of impairment (e.g. regional offices, external valuation professionals, executive management, Audit Committee, external auditors and internal auditors)? 			۵
	 Has the agency identified and documented a comprehensive range of asset/asset class indicators of impairment – including both external and internal indicators that are specific to the types of property, plant and equipment the agency holds, and the range of activities that the agency undertakes? 			
	 Is this list critically reviewed annually and revised if appropriate, and as soon as practicable after any machinery of Government changes to your agency (to take into account the consequential changes in property, plant and equipment and activities)? 			
	Have any key inputs into impairment indicators changed?			



<u>No</u>	Question	<u>Yes</u>	<u>No</u>	Improvements/
				Actions Required
	 Has the agency developed and implemented an agreed format, and minimum information required for the working papers relating to annual testing for indicators of impairment? 	0		
7	Have asset/asset class indicators of impairment been endorsed by the Audit Committee?			0
8	 Have agency specific impairment indicators and policies been reviewed, and modified where appropriate, in the context of the current economic environment? 			0
	IMPAIRMENT TESTING AND ADJUSTME	<u>ENTS</u>		
9	 Has the agency identified and developed key assumptions for the testing of its property, plant and equipment for impairment or impairment reversals? 			
	 Is there sufficient substantiation of the assumptions underlying any impairment, including objective evidence, to support the impairment calculation, or to refute the need to impair (which should be documented in work papers after approval by CFO)? 			
10	 Has the agency identified the types of objective evidence required to support any adjustments made for impairments or impairment reversals (e.g. statistical data, memos, newspaper articles or other documentation related to potential impairments)? 			
	 During the examination process, did the agency access a wide range of information that extends beyond that traditionally gathered for accounting purposes – e.g. from sources such as operational staff, legal, administrative and managerial processes? 			
11	 Does the agency have in place a documented methodology for the determination of impairment adjustments (including impairment reversals), based on identified impairment indicators for the agency's assets? 			
	 Where impairment or impairment reversal is identified in a CGU, is there a documented methodology for the determination and allocation of impairment adjustments (including impairment reversals) across assets within the CGU? 		٥	



No	Question	Yes	No	Improvements/
		<u></u>	<u>s</u>	Actions Required
12	 Where there are one or more indicators of impairment or impairment reversal, has the agency prepared reliable and comprehensive documentation to substantiate the calculation of material impairment or impairment reversals? 			
13	 On revaluation, did the agency review and adjust the accumulated impairment losses appropriately according to the valuation approach used (refer to NCAP 4.6 in the Non- Current Asset Policies for the Queensland Public Sector). 			
	FINANCIAL REPORTING DISCLOSUR	<u>ES</u>		
14	 For each class of asset, has the agency disclosed the amount of impairment loss recognised in the Statement of Comprehensive Income during the period? 			
15	 For each class of asset, has the agency disclosed the amount of reversals of impairment losses recognised in the Statement of Comprehensive Income? 			
16	 For each class of asset, has the agency disclosed the amount of impairment loss on revalued assets recognised as an offset to the asset revaluation surplus? 		_	
17	 For each class of asset, has the agency disclosed the amount of reversals of impairment losses on revalued assets recognised as an offset to the asset revaluation surplus? 			
18	 For each material impairment, has the agency disclosed: ✓ the events and circumstances leading to the impairment or reversal of the impairment? (refer to para 130(a) in AASB 136); 			0
	✓ the amount of the impairment or reversal of the impairment? (refer to para 130(b) in AASB 136).			
19	 For each material impairment or reversal of impairment of an individual asset, has the agency disclosed: ✓ the nature of the asset? (refer to para 130(c)(i) in AASB 136); 			
	✓ the reportable segment to which the asset belongs, if applicable? (refer to para 130(c)(ii) in AASB 136).			



No	Question	Yes	<u>No</u>	Improvements/
				Actions Required
20	 For each material impairment or reversal of impairment of a cash-generating unit, has the agency provided or disclosed the following: ✓ a description of the cash generating unit? (refer to para 130(d)(i) in AASB 136); 			٥
	✓ the amount of the impairment or reversal of impairment and reportable segment (if applicable)? (refer to para 130(d)(ii) in AASB 136);			
	✓ any change in the aggregation of assets for identifying the cash-generating unit? (refer to para 130(d)(iii) in AASB 136).			
21	 For each material impairment or reversal of impairment, has the agency disclosed: ✓ whether the recoverable amount of the asset is its fair value less costs of disposal, or its value in use? (refer to para 130(e) in AASB 136); 			٥
	✓ if the recoverable amount is fair value less costs of disposal, the basis used to measure this amount? (refer to para 130(f) in AASB 136);			
	✓ if the recoverable amount is value in use, the discount rate used in the current estimate and the previous estimate of the value in use? (refer to para 130(g) in AASB 136).			
22	 Where the agency has not disclosed any information on aggregate impairment losses/reversals in accordance with para 130 of AASB 136, has it provided information on: ✓ the main classes of assets affected by impairment losses/reversals? (refer to para 131(a) in AASB 136); 			
	✓ the main events and circumstances leading to the recognition of these losses/reversals? (refer to para 131(b) in AASB 136)			-



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