

PEMPAL TCOP Assets Working Group



VIDEOCONFERENCE

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Content of Presentation



- Croatia Policy Document
- Georgia consultancy Review
- Key Findings of Assets' Questionnaire
- Template for Policy and Procedures Manual
- Next Steps

Croatia Policy Document - Instruction On The Recognition, Measurement And Recording Of Assets



- Entities are obliged To apply the Instruction
- Defines the scope of assets owned by the Republic of Croatia
- Reconciliation of book To actual assets
- Principles of asset valuation
- Asset appraisal procedures
- Reporting

Georgian Consultancy Report – Key Findings

- The report focuses on PPE rather than “Non Financial Assets”
- Military and Education assets excluded.
- Accounting is to GFS but financial reporting is to IPSAS (Cash)
- To move fully to IPSAS (Accruals) will require that PPE is accurately recorded and reported transparently. Therefore a PPE Register will be required.
- Risk of incomplete record keeping in ministries
- The current book values of property may differ radically from market value or fair value. Usually the accounting records show a lower value.
- Tax issues are encouraging agencies to value property at valuations greatly different from the market value as tax is payable on the value of the property (for government?) –
- Transfer values for transactions between agencies have no consistent valuations applied
- Revaluations generally only occur on disposal – book value significantly different from realizable value
- Stocktake practices are inconsistent
- Centrally set depreciation norms do not necessarily result in carrying amounts that bear any relation to a fair value. IPSAS based depreciation is focused more on individual assets/ groups of assets.
- Some “Fully Depreciated Assets” were moved to off balance sheet accounts

Georgian Consultancy Report – Key Recommendations

- Two options for implementing a PPE register (1) Each entity keeps its own PPE register and a monthly mandated report is consolidated in Treasury (2) A common system is implemented that will be used by all entities.
- Decisions are required on the scope of a PPE register (for custodial, accounting, or managerial information)
- Accounting policies required for PPE. E.g. Asset Classes, Depreciation, Revaluation, Assets held in trust, Assets Held for sale, Leased Assets (as lessor and lessee) etc.
- Collection of data on assets will be a large task spanning a number of years. Valuing the asset may also take much time and require the services of professional valuers.
- Additional data will have to be collected as PPE related activities take place, so that the PPE register reflects a current record of all government PPE (**Except Military, Education**)
- Impairment reviews should be undertaken each year.
- Minimum level for asset acquisition and capitalisation (500) very low. The use of multiple levels based on risk assessment should be considered.

Asset Questionnaire – key findings



- Develop a set of standard non-financial asset classes to form the basis of the generic accounting policies and procedures manual
- A Specific discussion regarding depreciation rates and approaches maybe a useful follow-up activity for the working group
- Further discussion on asset thresholds to determine whether some common methodology or approach could be used for the manual .
- Invite a country, perhaps Bulgaria, to provide a case study on the method for revaluing assets (and testing for impairment) for a future working group meeting.
- Further questions and discussions regarding the management of assets registers would be useful – a good practice casestudy

Template for Assets' Policy and Procedures Manual



- I. Purpose of Manual Chapter
- II. Legislative basis
- III. Statement regarding whether these policies are mandatory, just guidelines or a combination of both
- IV. Definition of non-financial assets (this could also be broken down into a more typical IPSAS format eg Property, Plant and Equipment, Intangible Assets).
- V. Scope of assets included in this instruction –
- VI. Control of NFAs.
- VII. Guidelines for maintenance of the Assets Register(s) and determining opening balances

Template for Assets' Policy and Procedures Manual (2)



- VI. Annual Stock-take
- VII. Thresholds for recognizing non-financial assets
- VIII. Revaluation Policies
- IX. Impairment Policies
- X. Componentization Policies
- XI. Intangible Assets
- XII. Military Equipment
- XIII. Inventory

Next Steps – The policy and Procedures manual



- Option one – each country undertakes to provide guidance regarding one class of assets or one area of policy and the supporting procedures to be used as the basis for developing a generic policy for the manual
- Option two – source an existing (draft) manual from a country to use as a template for the generic manual – take responsibility to review one section