Senate Finance and Public Administration Legislation Committee —Budget Estimates Hearing—May 2011

Answers to Questions on Notice

Parliamentary departments, Department of Parliamentary Services

Topic: **APH Billiard Tables**

Question: **29**

Hansard reference **F&PA p.36, 23 May 2011**

Date set by the committee for the return of answer: 8 July 2011

Senator FAULKNER: In 1989, they were valued at $5,800. They then decreased to $1,500. Who undertook that valuation? What expert undertook that valuation—the same sort of expert that undertook the heritage assessment?
Mr Kenny: Again, we can specifically take that on notice, but I do know that the Australian Valuation Office from time to time provide us with valuations of plant and equipment, including in this building. I do not know how recently—
Senator FAULKNER: Is your evidence then that the Australian Valuation Office undertook the valuation?
Mr Kenny: No, I am saying that we will take that on notice because I do not know precisely who did it and I also do not know whether the valuation is done annually or less frequently.

Answer

1 DPS engages the services of a qualified valuer, the Australian Valuation Office, to revalue the asset classes identified for revaluation. The **attached** *DPS Financial Paper No. 2.1—Accounting—Property, Plant and Equipment and Intangibles*, sets out the revaluation cycle for DPS assets.

2 In accordance with the asset revaluation cycle, the most recent revaluation by the AVO of the administered furniture asset class—the asset class in which the billiard tables reside—was in 2009–10. The AVO valued the billiard tables in 2009–10 as having a fair (book) value of $1,500.

3 This asset class will be re-valued again four years after this last valuation.

FP 2.1
Accounting-Property P

Parliament of Australia
Department of Parliamentary Services

Financial Paper No 2—Accounting policy 2.1—Property, plant and equipment and intangibles

Date:	26 March 2008	**Review:**	31 March 2010
Approved:	CFO	**File No:**	04/854
Contact:	Director Finance	**Extn:**	8954

This policy incorporates matters related to ethical behaviour. Attached to this policy is **Appendix A** that you should read regarding the department's expectations of staff in matters of ethics.

Glossary

Amortisation	Amortisation is used to allocate the value of intangible assets over their life-cycle. It is an indicator of the rate at which the "service potential" of intangible assets diminishes, or is consumed, over their life-cycle.
Asset	An asset provides an organisation with future service potential or economic benefits. In this paper, assets are defined as land, buildings, infrastructure, plant, equipment and intangibles with an estimated useful life of 12 months or more.
Asset capitalisation threshold	The minimum value for reporting an item as an asset in the financial statements.
Depreciation	Depreciation is used to allocate the value of tangible assets over their life-cycle. It is an indicator of the rate at which the "service potential" of tangible assets diminishes, or is consumed, over their life-cycle.
Finance lease	A lease where substantially all of the risks and benefits incidental to ownership have passed to the lessee.
Gross book value	The cost of acquiring, or the fair value attributed to, each asset.
Life-cycle (or useful life)	The asset life-cycle (useful life) is the estimated period of time over which an asset is expected to be used, or the benefits represented by the asset are expected to be derived.
Net book value	The gross book value less accumulated depreciation/amortisation charges
Portable and attractive items	Assets that are below the threshold value for reporting as an asset in the financial statements, but need to be controlled because of their portable and attractive nature.

Introduction

1 The efficient and effective management of assets is essential to the delivery of DPS's outputs.

2 Section 44 of the *Financial Management and Accountability Act 1997* requires Chief Executives to manage the affairs of their agency in a way that promotes the efficient, effective and ethical use of Australian Government resources.

3 Relevant, reliable and timely information is a prerequisite of efficient and effective management of assets. This information is necessary to:

(a) assess whether particular assets are being used in the manner that most effectively meets the goals and objectives of DPS;

(b) assess whether assets controlled by DPS are properly maintained, enabling DPS to meet its current and future requirements;

(c) plan for the future replacement of assets;

(d) identify and plan for the disposal of surplus or under-used assets;

(e) effectively manage the risks associated with asset control;

(f) determine the cost of the products and services provided by DPS; and

(g) assess, where appropriate, the commercial competitiveness of DPS.

4 This document is equally applicable to both departmental and administered assets. It is not intended to provide advice on the management of assets or on the reporting of non-financial information.

5 Users of this document should familiarise themselves with:

(a) *Financial Paper No. 8—Financial governance; and*

(b) the following Chief Executive's Instructions (CEIs) and related Chief Executive's Procedures (CEPs):

(i) *3.3—Procurement of property and services;*

(ii) *4.1—Custody of public property;*

(iii) *4.2—Loss of public property;*

(iv) *4.3—Disposal of public property;*

(v) *4.4—Gifting of public property; and*

(vi) *4.5—Accounting for assets*.

Outline

6 This document firstly explains when an asset exists for the purpose of reporting in the financial statements. It then explains how an initial value should be chosen for an asset and how such values may be changed. Changes in asset values can occur in four ways:

(a) *depreciation/amortisation*—the progressive allocation of the asset's value to expense over its useful life to the department;

(b) *revaluation*—the adjustment of the asset's value to reflect changes in prices;

(c) *impairment*—the reduction in an asset's value as a result of specific events, eg physical damage; and

(d) *disposal/derecognition*—the removal of the asset's value from the financial statements, eg upon sale.

Definition of assets

7 In accounting terms, assets are defined as "future economic benefits controlled by the entity as a result of past transactions or past events". Economic benefit is not restricted to the requirement to generate cash flows; it can also equate to delivery of service potential. The future economic benefits of many assets in the public sector are derived from their capacity to contribute to the ability of an agency to meet its service objectives and outputs.

8 Not everything that meets the definition of an asset can be included in the financial statements. Assets must also satisfy both of the following recognition tests:

(a) it is probable that the future economic benefits represented by the asset will eventuate; and

(b) the future economic benefits can be reliably measured.

9 As an example, an agency cannot recognise scientific research that may lead to a commercially viable product when experience shows that there is only a 15% chance that a commercial product will be developed from the research.

10 Additional information on accounting definitions can be found in the Finance Minister's Orders—Requirements and Guidelines for the Preparation of Financial Statements and Finance Brief 20 at www.finance.gov.au.

Departmental and administered assets

11 Departmental assets are those assets which are controlled by DPS and used to support the delivery of its outputs.

12 Administered assets are those assets managed by DPS on behalf of the Commonwealth.

Reporting types for assets

13 Assets are classified according to their nature or function. DPS is required to report against the following types of assets:

(a) land;

(b) buildings;

(c) infrastructure, plant and equipment, (including information technology, , communication, monitoring, furniture and equipment, library collection and security infrastructure);

(d) heritage and cultural (art works); and

(e) intangibles (software).

14 Within a category of assets, it may be useful for management and reporting purposes to group like assets into classes. A class of asset is defined as the lowest level of aggregation as reported in the financial statements. DPS is also required to value all assets in a class at the same time. DPS has adopted the classes of assets outlined at **Attachment A**.

15 Within each asset category, an asset may be accounted for and reported as either:

(a) an individual item ie office equipment, technical equipment or furniture; or

(b) a group of individual items; or

(c) a system asset, ie a functional system in which component parts do not retain a separate identity and are not expected to be used by DPS after the asset is disposed of, eg CCTV system, PABX, or a production control room.

Funding for asset replacement

16 Refer to Financial Paper No.8—Financial governance for the policy on branch budgeting and service provision, and the approval requirements for DPS spending proposals.

17 Expenditure that replaces an existing asset and results in the creation of an asset can be funded from depreciation funds. Some components of internally developed software projects are not able to be capitalised, ie they do not create assets and cannot be funded from depreciation (see **Attachment F**).

18 Enhancement or renovation work that aims to update, remodel or refit an existing asset so that the state of the asset is changed and/or the useful life of the asset is extended, should be capitalised and is appropriately funded from depreciation.

Departmental assets

19 DPS is funded to replace departmental assets via an annual appropriation for the estimated yearly expense of depreciation. Asset replacement funds are provided over the life of the asset, so it is probable that cash reserves will build before the asset is replaced. As depreciation funds are provided from existing assets, it follows that depreciation funds should only be used to replace existing assets.

Administered assets

20 DPS is funded to replace and refurbish administered assets via an administered asset and liability appropriation, adjusted annually for CPI. The amount appropriated was originally based on a long term estimate and may not be sufficient in years when the larger and more expensive items are due for replacement. Additional funds for administered asset replacement can only be obtained via a New Policy Proposal (NPP) for a particular budget year. The CFO should be contacted as early as possible for advice on the NPP process. .

New policy proposals (NPPs) and joint ventures

21 Funding for proposals to create new assets may need to be obtained via a NPP. Proposals to create new or replacement assets by DPS directly or by a joint venture arrangement should be referred to the Chief Finance Officer (CFO) in the first instance.

Initial recognition—cost

22 Assets are recognised if they have a life of greater than one year; they are recorded at cost on acquisition except as stated below.

23 Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

Capitalising or expensing maintenance costs

24 Expenditure on assets must be capitalised (ie added to the carrying amount of the asset) when it improves the condition of the asset beyond its originally assessed standard of performance or capacity. This can occur by:

(a) increasing the annual service potential provided by the asset; or

(b) increasing the useful life of the asset.

25 Expenditure that does not meet the above criteria must be expensed as repairs and maintenance when incurred because this expenditure merely restores an asset to its original functionality so the asset can reach its original estimated useful life. Repairs and maintenance expenditure includes expenditure on repairs from damage and ordinary wear and tear.

26 For some complex assets, significant components with different estimated useful lives are separately identified for accounting purposes. The decision on whether expenditure on asset components should be capitalised should follow the same process outlined above for assets, ie if the expenditure will increase the annual service potential or useful life of the component beyond the originally assessed standard, then it should be capitalised.

27 Except where expenditure on system assets replaces or improves the system or extends the life of the system, the expenditure will be regarded as maintenance, because there is no change in intrinsic value. Additions or extensions to a system asset, which enhance the asset by increasing its functionality, or life, and become an integral part of that asset, increase the reportable value of that system by the cost of the acquisition or extension and are depreciated over the remaining useful life of the asset.

Land and buildings

28 Parliament House and the land it occupies is classified as an administered asset. All expenditure from administered asset and liability funding is capitalised at the cost of acquisition, regardless of the individual purchase value, because the expenditure replaces or refurbishes the building.

Property, plant and equipment (PP and E)

Asset recognition threshold

29 A list of the elements that can be recognised as comprising the initial cost of property, plant and equipment is at **Attachment B**.

30 Items of PP and E purchased as individual items are initially recognised at cost, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). Items determined to be significant in total are listed at **Attachment C**.

31 Items of PP and E that have values below the asset recognition threshold are not recognised as assets or funded from depreciation but some of these items are susceptible to theft or loss. DPS identifies and records portable and attractive items individually for fraud control and management purposes. Portable and attractive items are defined as items that cost more than $500 and less than $2,000 and are included in the portable and attractive items list. A list of portable and attractive items is at **Attachment D**.

32 Any purchase of PP and E that creates or adds to a system asset is initially recognised at the cost of acquisition, regardless of value.

33 All purchases of administered PP and E are initially recognised at the cost of acquisition, regardless of value.

34 If, at 30 June in any year, a PP and E asset is not fully constructed, the expenditure will be disclosed separately as "work in progress". Depreciation will not be set until the project has been completed to a stage where it can provide a service to DPS.

Spares

35 Spare parts and servicing equipment are usually carried as inventory and recognised as an expense when consumed. However, if the spare parts and servicing equipment form part of the initial purchase, and can only be used in connection with an item of PP and E, they are capitalised and accounted for as PP and E assets.

Library collection

36 The Parliamentary Library's *Collection Development Policy* outlines the types of information resources that are to be treated as assets. The cost price paid, if any, plus the cost of acquisition and cataloguing will be recognised as part of the initial cost of those assets.

37 The standard cost of acquisition and cataloguing will be set having regard to the available literature on benchmarking of library activities and agreed annually with the Australian National Audit Office. The standard cost of acquisition and cataloguing will not be added to renewals of reference serials because this cost would have been recognised when the first issue arrived.

38 The sum of the initial cost of each type of information resource asset in each month will be added to the asset register.

Heritage and cultural

39 DPS classifies all art work and art furniture as heritage and cultural assets. Heritage and cultural assets will initially be recognised at the cost of acquisition.

Intangible assets

40 Intangible assets are any asset without physical substance. In DPS intangible assets comprise software, either externally sourced (purchased) and implemented for internal use or internally developed for internal use, and capital works-in-progress. These assets are carried at cost and are assessed yearly for indications of impairment.

41 When replacing intangible assets, it is DPS policy to purchase off-the-shelf solutions. DPS will not develop software in-house, except in very rare cases when it is absolutely necessary and only if the software development has been approved as a project by the Strategy and Finance Committee (see Finance Committee minutes 7/08/07).

42 The criteria for recognising purchased software is the similar to the criteria for the purchase of property plant and equipment. A list of the elements that can be recognised as comprising the initial cost of purchased software is at **Attachment E.**

43 The criteria for capitalising an internally generated intangible asset is at **Attachment F**. This criteria has been adopted to ensure that the costs of internal use software is accounted for in a consistent manner and measured reliably by all Commonwealth entities.

44 Internal use software has the following characteristics:

(a) the software is acquired, internally developed, or modified solely to meet DPS's internal needs; and

(b) during the software's development or modification, no substantive plans exist for external sale.

45 Intangible assets are not revalued.

Classification of software

46 Judgement is required in determining whether software should be classified as an intangible asset or as part of property, plant and equipment. Where the software is an integral part of associated hardware, either in a physical or practical sense, it should be classified as part of property, plant and equipment. Otherwise, the software should be classified as an intangible asset.

Leases

47 Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract, and a liability recognised at the same time and for the same amount.

48 The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Depreciation and amortisation

49 Depreciation and amortisation are terms used to describe the consumption of an asset's service potential, based on its value. The value is allocated over the life of the asset and appears as an expense in the operating statement. PP and E assets are depreciated; intangible assets are amortised.

50 Accurate depreciation practices can be critical in correctly determining DPS's financial performance. Improper depreciation practices can result in:

(a) incorrect annual depreciation expense and hence ongoing incorrect operating results;

(b) incorrect reported asset values; or

(c) significant gains and losses on disposal of assets, resulting in distorted operating results in the year of disposal.

51 An asset is depreciated from the time it is first put into or held ready for use. When an asset is a complex structure made up of interdependent substructures which require installation at successive stages, it is considered as being ready for use only after installation has been completed to a stage where it can provide a service to DPS.

52 Care is required when selecting useful lives for heritage and cultural assets. These assets are normally preserved indefinitely, and their inherent heritage and cultural value often does not decline materially over time. However, the accounting standards strongly suggest that, apart from land, all assets have a limited useful life and while that useful life might be extremely long or difficult to estimate, an estimate must be made.

53 If the depreciation charge associated with heritage and cultural assets is likely not to be material in the context of the department's financial statements, DPS will not depreciate this class of asset. DPS will review the useful life estimates for heritage and cultural assets on an annual basis to determine if the resulting depreciation charge is material and should be included in the financial statements.

54 Land will not be depreciated.

55 Capital works-in-progress will not be depreciated.

Depreciation methods

56 The method of depreciation adopted should reflect, most closely, the pattern of consumption or loss of the service potential embodied in the asset. Where the loss of service potential can be objectively and verifiably measured on a systematic basis in each reporting period, depreciation may be calculated on that basis. DPS has decided the value of computer servers and storage devices is best reflected by diminishing value; all other depreciation is calculated using the straight-line method that is consistent with the pattern of usage.

Estimating useful lives

57 All depreciable non-current assets are written off to their estimated residual values over their estimated useful life to DPS. The useful life of DPS software is estimated by the project manager on completion of the project.

58 Estimated useful lives and the applicable depreciation rates applying to each sub-class of depreciable assets are outlined at **Attachment G**.

Reviewing depreciation rates and useful lives

59 Depreciation rates (useful lives) and methods are reviewed at each revaluation and reporting date, and necessary adjustments are recognised in the current and/or future reporting periods as appropriate.

60 When DPS becomes aware that the estimated useful life of an asset is likely to vary significantly, the useful life is adjusted. This adjustment will affect the future rate of depreciation of the asset. The prior years' depreciation cannot be adjusted following a change in the estimated useful life of an asset.

Separately depreciating components of asset systems

61 Some asset systems comprise a number of components with differing useful lives. DPS recognises and depreciates significant components separately over their individual useful lives.

Stocktake

62 The overall purpose of a stocktake is to ensure that the DPS asset register is a true representation of its asset holdings for the purpose of financial reporting. The objectives of the stocktake are to:

(a) ensure that all assets controlled by DPS are accurately recorded in the asset register;

(b) ensure that all assets recorded in the register do in fact exist; and

(c) identify assets that are surplus to requirements, obsolete and/or damaged.

63 Stocktakes are to be conducted in accordance with the stocktake schedule at **Attachment H.**

Revaluation—fair value

64 Assets in a class measured at fair value must be revalued with sufficient frequency so that their carrying amount at each date of reporting does not differ materially from their fair value. Valuations undertaken in each year are as at 30 June. All assets within a class of assets are revalued at the same time.

65 Fair value is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction". Fair value is a measurement concept. It is a principle to guide asset revaluations and, in order to implement this principle, specific measurement techniques are required. A summary of relevant techniques can be found in AASB 116 *Property, Plant and Equipment*.

66 Valuation of heritage and cultural assets may raise particular measurement difficulties; however, the measurement principles for assets generally apply also to these assets. Some heritage and cultural assets may be unique, in that they can not be replaced and there is no market evidence for their value. For such assets, it may be impossible to find a reliable value. Where no reliable value can

be obtained for cultural or heritage assets, the notes to the financial statements will explain the reasons.

67 Other heritage and cultural assets will instead be representative, ie the asset is merely one of a type that is traded. In such cases, it should be possible to arrive at a reliable value based on market evidence. Where a reliable value can be ascribed to a heritage or cultural asset, that value will be included in the relevant asset class in the financial statements.

68 If DPS has doubts about the reliability of a valuation, the value so provided will not be included in the financial statements. The non acceptance of a valuation will be disclosed in the notes and is preferable to the inclusion of an unreliable value in the financial statements.

69 Fair value is equivalent to market value unless there is no market-based evidence of fair value. In such cases, fair value is estimated using depreciated replacement cost.

70 On revaluation, accumulated depreciation is restated in proportion to the change in the value of the asset. Residual values are re-estimated when assets are revalued.

71 Net asset revaluation increments/decrements are credited to the asset revaluation reserve for each asset class. However:

- (a) where there are insufficient credits in the relevant asset revaluation reserve to absorb a revaluation decrement, the excess is recorded as an expense; and
- (b) where a revaluation increment reverses a previous decrement that was expensed, the increment is recorded as revenue.

72 Asset revaluation reserves cannot have negative balances.

Conduct

73 All formal valuations would normally be conducted by an independent professionally qualified valuer. Valuations based on in-house expertise may be undertaken with the approval of the Secretary.

74 To ensure all assets are reported in the financial statements at their up-to-date fair value, the change in value of those classes of assets not subject to formal valuations in a financial year may be assessed by reference to appropriate indexes. If the change in value as indicated by the movement in an index over a financial year is material, the value of that class of asset will be updated. DPS will rely on advice provided by qualified valuers as to the correct index to use for each class of asset.

75 Assets capitalised under finance leases are not revalued and are accounted for under AASB 117 *Leases*.

Timing

76 The Finance Minister has directed that an annual assessment is required to ensure that asset carrying amounts do not materially differ from their fair value at balance date.

77 DPS has chosen to revalue its assets by an independent expert on a progressive basis. DPS has chosen to conduct progressive independent revaluations on a class basis with sufficient frequency to ensure the carrying amount of assets is not materially different from fair value as at balance date. Timing for progressive revaluations is at **Attachment I**. However, DPS will make an annual assessment of the asset carrying amounts during the yearly planning process for the independent valuation and adjust the schedule if necessary.

Impairment of assets

78 Events and circumstances may occur that reduce the level of future economic benefits expected to be received from an asset. Such reductions in future economic benefits are termed "impairment losses". Examples of factors giving rise to impairment are physical damage, a marked rise in obsolescence, a decision to dispose of an asset earlier than expected and significant changes in an asset's market value.

79 Assets carried at up-to-date fair values at the reporting date are not subject to impairment testing. The minimum indications of external and internal sources of information to be considered for impairment are listed at **Attachment J**.

Disposal

80 At the time an asset is assessed as being no longer of use to DPS and is approved for disposal, depreciation will stop.

81 Any proceeds received on sale of assets is recorded as revenue and the net book value is expensed along with any selling costs. The net book value of assets gifted is expensed along with any costs incurred in the scrapping or gifting of assets.

82 Where action is taken to decommission a materially whole system by replacement or by recognising obsolescence, the entire system is subject to disposal action.

83 Assets which are surplus to requirements are to be valued at their net realisable value.

[signed]

Judy Konig
CFO

Attachment A—Classes of assets

To be reported in DPS's financial statements at and from 30 June 2006

Asset type	Asset class—sub-classes shown	Classification
Land		Administered
Buildings	Land	Administered
Infrastructure plant and equipment		
	Information technology assets	
	Computing infrastructure	Departmental
	Computer equipment (PCs printers)	Departmental
	Communication assets	
	Telecommunications	Departmental
	Broadcasting	Departmental
	Monitoring assets	
	Hansard (Digital audio)	Departmental
	EMM	Departmental
	Furniture and equipment	
	Office machines and furniture	Admin and Dept
	Plant and equipment	Admin and Dept
	Portable and attractive items	Departmental
	Library collection	Departmental
	Security infrastructure	Departmental
Heritage and cultural		Administered
Intangibles (software)		
	Purchased	Departmental
	Internally developed	Departmental

Attachment B—Calculating initial cost of property plant and equipment

84 Accounting for the acquisition of assets is a relatively simple process when it involves the acquisition of simple goods that are purchased externally. Modest costs or resources are required to bring the asset to a working condition, for example, a personal computer requires transport to the site and installation on the desktop. The identification of the purchase consideration is relatively simple, and the costs incidental to the acquisition are readily identified.

85 The initial cost of an item of property, plant and equipment under AASB 116 *Property, Plant and Equipment* comprises the following elements:

(a) purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

(b) costs directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including:

   (i) staff costs involved in acquisition and installation;

   (ii) costs of site preparation;

   (iii) initial delivery and handling costs;

   (iv) installation and assembly costs;

   (v) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition;

   (vi) professional fees; and

   (vii) costs of employee benefits (as defined in AASB 119 *Employee Benefits*) arising directly from the construction or acquisition of the item of PP and E;

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period (the obligation is recognised and measured in accordance with AASB 137 *Provision, Contingent Liabilities and Contingent Assets*); and

(d) maintenance and extended warranties, when purchased as part of the initial purchase price and considered as an integral part of the PP and E asset.

Attachment C—Individual items—significant in total

Individual items in the following list, that cost less than $2,000, are recognised and reported as assets because their total value is significant:

(e) monographs

(f) reference monographs

(g) reference serials

(h) personal computers

(i) laptop computers

(j) computer monitors

(k) televisions

(l) a group of similar items purchased at the same time where the cost of each item exceeds $500 and total cost exceeds $25,000

(m) art works

(n) heritage furniture.

Attachment D—Portable and attractive items

A portable and attractive item is defined as an item that costs more than $500 and less than $2,000 and is included in the following list:

(o) cameras

(p) radios

(q) video and DVD recorders

(r) mobile phones

(s) printers

(t) PDAs

(u) fax machines

(v) scanners

(w) air compressors

(x) mowers

(y) generators.

Attachment E—Criteria for capitalising purchased intangible assets

The initial cost of an item of purchased software, is considered in a similar way as the purchase of property under AASB 116 *Property, Plant and Equipment* and comprises the following elements:

(a) purchase or licence price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

(b) costs directly attributable to bringing the asset to condition necessary for it to be capable of operating in the manner intended by management, including:

- (i) staff costs involved in acquisition, including documenting the user and technical specifications for the software and the desired functionalities ie the full time project team members;
- (ii) installation and necessary configuration costs;
- (iii) costs of testing whether the asset is functioning properly;
- (iv) professional fees; and
- (v) costs of employee benefits (as defined in AASB 119 *Employee Benefits*) arising directly from the acquisition and configuration of the item of purchased software.

(c) maintenance and extended warranties, when purchased as part of the initial purchase price and considered as an integral part of the purchased software asset.

86 Incidental staff costs eg attendance by management representatives at steering committee meetings, cannot be capitalised as these functions relate to project governance and not asset creation.

87 Face to face end user training is an important project cost but cannot be capitalised. However, if a training package is developed for on-line use, the cost can be capitalised as an asset is being developed.

Attachment F—Criteria for capitalising internally generated intangible assets

The identification of what component of purchase and incidental costs is *directly* attributable to internally developed assets is more difficult than for purchased software and property plant and equipment assets.

88 There are typically three main stages to software development:

Preliminary project – Stage 1—research and planning	***Application development - Stage 2***	***Post-implementation operation – Stage 3***
Conceptual formulation of alternatives	Design of chosen path, including software configuration and software interfaces	End user training
Evaluation of alternatives	Coding	Application maintenance
Determination of existence of necessary technology	Installation on hardware	Promotional costs
Final selection of alternatives	Testing, including parallel-processing phase	Manuals

Preliminary project stage

89 Expenditure during the research stage of any project must not be recognised as an asset. This stage typically involves research activities which may consist of conceptual formulation of alternatives, evaluation of alternatives, or determination of existing necessary technology and prototyping. These costs do not enhance the software's functionality (and therefore service potential) and are to be expensed.

90 Costs incurred in planning that are attributable to undertaking feasibility studies and assessing alternative approaches include, for example, costs of developing a business plan and/or project plan, assessing alternative approaches to achieving the desired functionalities, and assessing external vendors or consultants. These costs are to be expensed because they involve the creation and refinement of ideas and plans and do not result in an asset.

91 Some costs that are incurred in the planning stage may give rise to future economic benefits and as such should be capitalised. These costs may include documenting the specifications for the software and the desired functionalities where a solution has been determined. The specifications may include user specifications and technical specifications.

92 Each internally developed software project is different, project managers should seek clarification from the CFO if they are unsure how their project will fit into the above model.

Application development stage

93 The application development stage would normally consist of software design, configuration, coding, hardware installation and testing. These costs

would generally be incurred after an alternative has been selected and would typically include:

(a) direct costs of materials and services for developing or obtaining internal-use software, such as fees to contractors engaged to specify the configuration and interfaces, and costs incurred to obtain computer software from third parties (costs capitalised should also include installation costs and other costs necessarily incurred in getting the software ready for use);

(b) payroll (including employee benefits) for employees who are directly associated with and devote time to the development and testing of the software; and

(c) the costs of data migration but only for test data used for system testing.

94 These costs would typically be capitalised, provided they meet the criteria for recognition, because they are costs attributable to the actual development of the software.

Expenditure during the application development phase will be recognised where the following can be demonstrated:

(a) it is technical feasible that the intangible asset will be completed so that it will be available for use;

(b) it is the intention to complete the intangible asset and use it;

(c) the entity has an ability to use the intangible asset;

(d) it can be demonstrated that the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) there is adequate technical, financial and other resources to complete the development and to use the intangible asset; and

(f) the expenditure attributable to the intangible asset during its development can be measured reliably.

95 Any costs in the development phase, which do not give rise to an asset, should be expensed as they are incurred. An example is failed prototypes.

Post implementation/operation stage

96 Post implementation activities may include application maintenance and end user training. Repairs and maintenance focus on maintaining the assets in a state similar to what was originally acquired so it can be used over its originally estimated useful life. Expenditure of this nature should be expensed.

97 Costs should only be capitalised where they enhance the current operating performance or extend the useful life of the current software. Therefore, upgrades and ongoing application maintenance are only capitalised where they increase the operational performance of the software, increase its current operating capacity or extend its useful life.

98 End user training costs are not capitalised because the asset is effectively the individual’s skills. The skills of an individual, while they may provide future economic benefits, are not generally controlled by DPS and therefore do not qualify for recognition as an asset.

Attachment G—Depreciation rates

Code	Asset type	Company code	Useful life -years
AA	Analogue	2000	5
AB	Audiovisual equipment— 5 year	2000	5
AD	Airdryer	3000	15
AE	Audio visual equipment— 10 year	2000	10
AF	Audio facilities	2000	10
AI	Aerial	2000	10
AJ	Access control	2000	4
AU	Audio system	3000	10
AW	Art works	3000	n/a
BA	Baler	3000	15
BI	Building	3000	
BI	Substructure	3000	187
BI	Columns	3000	187
BI	Upper Floor	3000	187
BI	Staircases	3000	187
BI	Roof	3000	187
BI	External Wall	3000	187
BI	Windows	3000	187
BI	External Doors	3000	187
BI	Internal Walls	3000	187
BI	Internal Screens	3000	87
BI	Internal Doors	3000	87
BI	Wall Finishes	3000	87
BI	Floor Finishes	3000	27
BI	Ceiling Finishes	3000	87
BI	Fitments	3000	67
BI	Special Equipment	3000	67
BI	Sanitary Fixtures	3000	67
BI	Sanitary Plumbing	3000	67
BI	Water Supply	3000	67
BI	Gas Service	3000	67
BI	Chilled Water Plant CAT 1	3000	37
BI	Chilled Water Pipework CAT 1	3000	57
BI	Heating Hot Water Plant CAT 2	3000	37
BI	Heating Hot Water Pipework	3000	57
BI	Condenser Water Plant CAT 3	3000	37
BI	Condenser Water Pipwork CAT 3	3000	57
BI	Compressed Air Plant CAT 4	3000	37
BI	Compressed Air Pipework CAT 4	3000	57
BI	Air Conditioning Plant CAT A	3000	37
BI	Air Conditioning Ductwork CAT A	3000	57
BI	Fire Protection	3000	47
BI	Light & Power	3000	47
BI	Communication	3000	47
BI	Transportation	3000	47

Attachment G —Depreciation rates (continued)

Code	Asset type	Company code	Useful life -years
BI	Special Services	3000	21
BI	Site Preparation	3000	187
BI	Road Paths & Paving	3000	57
BI	Fencing Walls & Gates	3000	57
BI	Outbuildings	3000	187
BI	Landscaping	3000	57
BI	External Storm water	3000	57
BI	External Sewer	3000	57
BI	External Water	3000	57
BI	External Light & Power	3000	57
BI	Preliminaries	3000	187
BN	Broadcast infrastructure	2000	10
CC	Cabinets storage	2000	15
CD	Cable drawings	2000	22
CE	Carpet	2000	5
CF	Compactus	2000	15
CG	Cable plant	2000	20
CI	Committee rooms	2000	10
CJ	Computer rack infrastructure	2000	10
CK	Communications equipment	2000	10
CL	Client server system	2000	5
CM	Camera equipment— 10 year	2000	10
CN	Camera equipment— 5 year	2000	5
CQ	CCTV cabling	2000	25
CR	Cable reel	3000	15
CU	CCTV cameras	2000	5
CV	Conveyor	3000	10
CW	CCTV control equipment	2000	5
CX	Central security system /photo id	2000	5
CY	Cytotoxic room	2000	10
CZ	Chairs	2000	10
DA	Design built furniture	2000	30
DC	Document movement system car	3000	10
DF	Desks/ workstations	2000	20
DG	Devices	2000	7
DH	Digital— Hansard	2000	6
DI	Dimmer	3000	25
DJ	Digital EMM	2000	5
DK	Digital video recording (security)	2000	3
EC	Extended parliamentary network	2000	5
ED	Electronic device	3000	10
EE	End of line devices	2000	11.5
EF	End of line cabling	2000	25
EN	Engine	3000	20
FB	Fibre backbone	2000	14
FC	Fibre optics (security)	2000	25
FF	Furniture and fittings	2000	10
FH	Fax gateway hardware	2000	15
FM	Facsimile machines	2000	5
FP	PHCA furniture and fittings	3000	10
FX	Fax gateway— unspecified	2000	5
GA	Garden equipment	2000	5
GE	Generator	3000	30
HC	Hansard cluster	2000	5

Attachment G —Depreciation rates (continued)

Code	Asset type	Company code	Useful life -years
HD	Horizontal departmental	2000	8
HO	Hood	3000	25
HR	Hand held radios (security)	2000	3
HS	HMS (House monitoring system)	2000	10
HT	Hoist	3000	15
HU	Humidifier	3000	15
HY	Hydraulics pack	3000	10
IA	Intranet	2000	5
IC	Intercom	2000	10
IN	Internet	2000	5
IR	IR beams	2000	5
KE	Kitchen equipment	3000	10
KS	Key safe	2000	10
LA	Land	3000	NA
LC	Lift car	3000	25
LP	Lan— parliamentary network	2000	10
LT	Laptop computers	2000	3
LU	Luminaire	3000	10
MA	Maintenance equipment	2000	10
MB	Microform equipment	2000	10
MC	Miscellaneous plant	2000	10
MD	Monographs	2000	10
ME	Mobile equipment	2000	10
MF	Ministerial gates	2000	10
MM	Monitors	2000	5
NM	Network management	2000	4
NS	Network management system	2000	3
OB	Other broadcast systems	2000	10
OC	Other computer hardware— 3 year	2000	3
OH	Other computer hardware— 5 year	2000	5
OM	Office machines and furniture	2000	10
OO	Other	2000	10
OP	Other plant/furniture	2000	10
OS	Other software— 3 year	2000	3
OW	Other software— 5 year	2000	5
PC	PABX cable plant	2000	20
PE	Parliamentarians cable	2000	10
PF	PDA	2000	2
PG	Personal computers	2000	3
PH	PABX handsets	2000	15
PI	Parlinfo	2000	5
PJ	Photocopiers	2000	5
PK	Printers	2000	5
PL	Pool (swimming)	3000	30
PL	Pool (spa)	3000	25
PN	Parliamentarians network (Parl net)	2000	5
PP	Production control rooms	2000	10
PQ	Plant and equipment	2000	10
PR	Electrostatic precipitator	3000	10
PV	Pressure vessel	3000	15
PW	PABX hardware	2000	15
PX	PABX	2000	5
RA	Radio communications	2000	3
RB	Recall stations	2000	3

Attachment G —Depreciation rates (continued)

Code	Asset type	Company code	Useful life -years
RC	Risers and cables	2000	25
RD	Reticulation devices	2000	7
RE	Recreation equipment	3000	10
RF	Refrigerator	3000	15
RM	Reference monographs	2000	30
RS	Reference serials	2000	30
SB	Spray booth	3000	20
SC	Scanners	2000	5
SD	Security containers	2000	30
SE	Safety equipment	3000	10
SF	Screening	2000	20
SG	Storage— 5 year	2000	5
SH	Shredder	3000	10
SJ	Security monitoring panel	2000	10
SK	Security scanning systems	2000	6.5
SL	Storage—10 year *(diminishing value depn)*	2000	10
SN	Shelving	2000	20
SP	Spine	3000	25
SQ	Communications management system	2000	10
SR	Sensor	3000	20
SS	Communications infrastructure (security)	2000	6.5
ST	Stenograph equipment	2000	5
SU	Control room (security)	2000	10
SV	Servers *(diminishing value depn)*	2000	4
TV	Televisions	2000	5
US	Uninterrupted power supply (security)	2000	10
VB	Vavbox	3000	10
VD	Video distribution amplifier units	2000	11.5
VF	Visual facilities	2000	10
VM	Video motion detectors	2000	6.5

Attachment H—Stocktake cycle

Stocktakes	Sep	Feb	Mar	Comment
Items on personal issue	100%		100%	Twice yearly, 100% of items by first party confirmation.
Administered assets		20%		Administered items—20% of assets each year so all assets are located over a 5-year period.
Art works*				Stocktake is managed by Art Services.
System assets			100%	100% annually by first party confirmation.
Departmental individual assets		100%		
Library collection**				Stocktake is managed by the Parliamentary Library.

See *CEP 4.5.1—Stocktakes*
*See - *Art collection stocktake policy*
**See - *Operating Policy and Procedures No.11-Library Collection Stocktake*

Attachment I—Revaluation cycle

Class	Sub-class	Notes	Revaluation cycle	Starting FY ended
Departmental assets				
Information technology assets				
	Computing infrastructure	This sub-class incurred a substantial downwards valuation due to a drop in the sale price of certain items in this sub-class. The depreciation method for these items has been changed to an accelerated method to recognise the rapid loss of value as new and better technology is developed. A four-year revaluation cycle should be sufficient for this sub-class. Last revalued in 2005.	4	2009
	Computing equipment	Much of this sub-class had not been revalued previously. Nearly all items in this sub-class have a life of three or four years. It would seem appropriate that this sub-class gets revalued no more often than every four years as these items should be replaced during the valuation cycle. Assets belonging to the former JHD were revalued in 2003; former DPRS and DPL assets were revalued in 2005. JHD assets are not material in quantity/ value.	4	2009
Communication assets				
	Telecommunications	This sub-class only contains a few items; any valuation movement can be significant in percentage terms. A three-year valuation cycle is recommended. Last valued 2005.	3	2008
	Broadcasting	Only a small portion of this sub-class was revalued in 2005 because most of the sub-class had been revalued over the previous two years. During the past three years, the value for this sub-class increased by $1,974,000. With a current book value base of approximately $13,000,000, this sub-class should be revalued every three years in tandem with the other communications assets sub-class.	3	2008

Attachment I—Revaluation cycle (continued)

Class	Sub-class	Notes	Revaluation cycle	Starting
Monitoring assets				
	EMM	This sub-class of assets (which comprises mainly Library VCRs and media recording equipment) is not likely to become obsolete because of technology advances. The equipment is of a similar nature to broadcasting equipment and a five-year valuation cycle will be sufficient for this sub-class. Last revalued in 2005.	5	2008
	Hansard	In the past eleven years, there has only been one valuation movement of $3,161 suggesting a five-year valuation cycle would be sufficient. Last revalued 2003.	5	2008
Furniture and equipment				
	Office machines and furniture	Much of this sub-class had not been revalued previously, and items in this sub-class are replaced on a frequent basis. Assets belonging to the former JHD were revalued in 2003; former DPRS and DPL assets were revalued in 2005. A four-year cycle should be sufficient for this sub-class.	4	2007
	Plant and equipment	Much of this sub-class had not been revalued previously. Many items were fully depreciated. Therefore, any value given to these items affected the movement percentage dramatically. A four-year cycle should be sufficient for this sub-class.	4	2007
Library collection				
		This class was last revalued in 2003 and a three year revaluation cycle would be adequate.	3	2006
Security				
		The valuation in 2005 resulted in a relatively small movement in value. The changing nature of security requirements for Parliament House has seen technology cause a lot of obsolescence in the monitoring equipment, but these items are not of a material value and are replaced regularly. A five-year valuation cycle would be sufficient for this class.	5	2010

Attachment I—Revaluation cycle (continued)

Class	Sub-class	Notes	Revaluation Cycle	Starting FY ended
Administered assets				
Land and buildings				
	Land	Land was first revalued in 1999 and again in 2003. The land has a specific use and is a heritage asset. Four-year intervals would appear to be reasonable however, the FMOs required valuation every 3 years.	3 (as required by FMOs)	2006
	Buildings	These assets were last revalued in 2003. The buildings are usually revalued at the same time as the land.	3 (as required by FMOs)	2006
Furniture and equipment				
	Office machines and furniture	These assets were first revalued in 1999 and again in 2003. Four-year intervals would appear to be reasonable starting from 2006.	4	2006
	Plant and equipment	These assets were first revalued in 1999 and again in 2003. Four-year intervals would appear to be reasonable starting from 2006.	4	2006
Heritage and cultural				
	Art works	Artworks tend to appreciate in value. An assessment of the impact of useful lives on the Parliament House Art Collection (PHAC) confirmed that the amount of depreciation was not enough to warrant further processing. One has to consider the amount of money spent on maintenance and restoration, for which DPS is appropriated administered funds. The art works policy has been to revalue the PHAC every four years, with the last revaluation conducted in 2005.	4	2009

Attachment J—Minimum indications of asset impairment

External sources of information might be:

(a) during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(b) significant changes with an adverse effect on DPS have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which DPS operates or in the market to which an asset is dedicated;

(c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; or

(d) the carrying amount of the net assets of the reporting entity is more than its market capitalisation.

99 Internal sources of information might be:

(a) evidence is available of physical damage to, or obsolescence of, an asset;

(b) significant changes with an adverse effect on DPS have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used (these changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessment of the useful life of an asset as finite rather than indefinite); or

(c) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Appendix A—Ethical behaviour for DPS officers

The purpose of this appendix is to remind all DPS officers that they must undertake their duties to the highest ethical standards.

Parliamentary Service Values and Code of Conduct

DPS employees must at all times behave in a way that upholds the Parliamentary Service Values and Parliamentary Service Code of Conduct, as set out in below:

Parliamentary Service Act 1999

Parliamentary Service Values

(a) the Parliamentary Service provides professional advice and support for the Parliament independently of the Executive Government of the Commonwealth;

(b) the Parliamentary Service provides non-partisan and impartial advice and services to each House of the Parliament, to committees of each House, to joint committees of both Houses and to Senators and Members of the House of Representatives;

(c) the Parliamentary Service has the highest ethical standards;

(d) the Parliamentary Service performs its functions with probity and is openly accountable for its actions to the Parliament;

(e) the Parliamentary Service has leadership of the highest quality;

(f) employment decisions in the Parliamentary Service are based on merit;

(g) the Parliamentary Service provides a workplace that is free from discrimination and recognises and utilises the diversity of the Australian community;

(h) the Parliamentary Service establishes workplace relations that value communication, consultation, co-operation and input from employees on matters that affect their workplace;

(i) the Parliamentary Service provides a fair, flexible, safe and rewarding workplace;

(j) the Parliamentary Service focuses on achieving results and managing performance;

(k) the Parliamentary Service uses Commonwealth resources properly and cost-effectively;

(l) the Parliamentary Service promotes equity in employment;

(m) the Parliamentary Service provides a reasonable opportunity to all eligible members of the community to apply for Parliamentary Service employment;

(n) the Parliamentary Service is a career-based service to enhance the effectiveness and cohesion of Australia's democratic system of government;

(o) the Parliamentary Service provides a fair system of review of decisions taken in respect of Parliamentary Service employees.

2 For the purposes of paragraph (1)(f), a decision relating to engagement or promotion is based on merit if:

(a) an assessment is made of the relative suitability of the candidates for the duties, using a competitive selection process; and

(b) the assessment is based on the relationship between the candidates' work-related qualities and the work-related qualities genuinely required for the duties; and

(c) the assessment focuses on the relative capacity of the candidates to achieve outcomes related to the duties; and

(d) the assessment is the primary consideration in making the decision.

Parliamentary Service Code of Conduct

(1) A Parliamentary Service employee must behave honestly and with integrity in the course of Parliamentary Service employment.

(2) A Parliamentary Service employee must act with care and diligence in the course of Parliamentary Service employment.

(3) A Parliamentary Service employee, when acting in the course of Parliamentary Service employment, must treat everyone with respect and courtesy, and without harassment.

(4) A Parliamentary Service employee, when acting in the course of Parliamentary Service employment, must comply with all applicable Australian laws. For this purpose, ***Australian law*** means:

(a) any Act (including this Act), or any instrument having effect under an Act; or

(b) any law of a State or Territory, including any instrument having effect under such a law.

(5) A Parliamentary Service employee must comply with any lawful and reasonable direction given by someone in the Department in which he or she is employed who has authority to give the direction.

(6) A Parliamentary Service employee must maintain appropriate confidentiality about dealings that the employee has with either House of the Parliament, with any committee of either House, with any joint committee of both Houses, with any Senator or Member of the House of Representatives or with the staff of any Senator or Member.

(7) A Parliamentary Service employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with Parliamentary Service employment.

(8) A Parliamentary Service employee must use the resources of the Commonwealth in a proper manner.

(9) A Parliamentary Service employee must not provide false or misleading information in response to a request for information that is made for official purposes in connection with the employee's Parliamentary Service employment.

(10) A Parliamentary Service employee must not make improper use of:

(a) inside information; or

(b) the employee's duties, status, power or authority;

in order to gain, or seek to gain, a benefit or advantage for the employee or for anyone else.

(11) A Parliamentary Service employee must at all times behave in a way that upholds the Parliamentary Service Values and the integrity and good reputation of the Parliamentary Service.

(12) A Parliamentary Service employee on duty overseas must at all times behave in a way that upholds the good reputation of Australia. Parliament of Australia Department of Parliamentary Services 2 DPS code of conduct.doc

(13) A Parliamentary Service employee must comply with any other conduct requirement that is made by either House of the Parliament or by determinations.

All DPS officers who are:

- exercising authority in recruitment, managing and evaluating staff;
- managing DPS funds and property; and/or
- managing other resources, including various contracts for supply of goods and services

need to reflect very carefully on the listed Values and Code of Conduct.

What does this mean for individual DPS officers?

In undertaking their duties for DPS, all officers must:

- *be honest, and ensure Commonwealth finances and property are not misused or stolen;*
- *not use DPS property for personal or commercial gain;*
- *ensure the taxpayer gets value for money from the services provided by our contractors;*
- *be diligent, and ensure the taxpayer gets value for money from the salaries and any other benefits each person receives from DPS;*
- *not claim for benefits they are not entitled to;*
- *ensure employment decisions are based on merit, especially focussing on the requirements of the position;*
- *prevent and avoid discrimination in the workplace;*
- *avoid conflicts of interest.*

What is conflict of interest?

Conflict of interest occurs when the duties of the officer on behalf of DPS could be in conflict with the personal interests of the officer, including financial and personal relationships.

Because of the relatively small size of Canberra there is a higher likelihood of perceived conflicts of interest than would be the case in (say) Sydney.

If there is any possibility of real or perceived conflict of interest between your work duties and your other interests/relationships, it is essential that you declare these conflicts of interest to your supervisor. In some circumstances it will be preferable to immediately excuse yourself from certain duties.

Practical examples of conflict of interest

Set out below are some potential situations where DPS officers need to take action to avoid or minimise conflicts of interest.

Tenders and Contracts

If relatives or close friends are employed by any of the bidding organisations, and especially if you have a shareholding in any of the bidding companies, then it is not appropriate for you to be involved in any aspect of the tender process, including development of the specification. Furthermore, if the contract is ultimately awarded to a company which employs relatives or close friends, or if you have shareholdings in the company, then it is not appropriate for you to be administering the contract.

It is also not appropriate to receive gifts or hospitality without prior approval from your Assistant Secretary.

Staff management

For staff recruitment or promotion processes, it is not appropriate for you to participate in these processes when any of your relatives or close friends are applicants for the position(s). Furthermore, you should not be involved in decisions about reward and recognition (including pay adjustments) for staff who are relatives or close friends.

It is also recognised that staff may be related to other staff within DPS; for various reasons this can (occasionally) lead to situations where a family member reports directly, or through the chain of management, to another family member. This can lead to perceptions of conflict of interest within the work group. Such situations may be manageable in the short term, but are unlikely to be satisfactory to the related officers, or their work colleagues, in the longer term. If such a situation arises it is desirable that the relevant family members discuss the situation with a senior manager to identify an acceptable solution.

Conflict of Interest—procedural matters

If you believe that you or your staff could have conflicts of interest, it is important that these be declared. The detailed process for making these declarations is set out in *Personnel/HR Paper No. 28—Conflicts of Interest*.

What can you do if you observe non-ethical behaviour?

If you are a supervisor and you believe you are observing non-ethical behaviour amongst your subordinates (including conflict of interest or non-compliance with any of the Values or Code of Conduct) you should raise your concerns with the staff member(s) involved, requesting an immediate change in behaviour. For any "non-minor" breaches, you should also provide a report to your manager.

If you believe you are observing non-ethical behaviour amongst any of your work colleagues (including conflicts of interest, or non-compliance with any of the Values or Code of Conduct) you should report this behaviour to your supervisor or the Director of HR Services.

Officers who receive reports of potential non-compliance should do the following:

- Promptly consider the claims/reports and report the claim if it appears to be substantiated.
- Ensure the report of any claims is passed to the Director HR who will then provide advice as necessary to the Secretary and/or to the Internal Audit Committee.
- Where appropriate suspected cases of breaches of the Code of Conduct will be investigated in accordance with Personnel/HR paper No. 6 – Procedures for determining breaches of the Code of Conduct.