Detailed Findings

The following section details the key findings of the review, including associated recommendations and management responses.

3.1 Risk assessment of findings

Findings identified in the review process were allocated risk ratings in accordance with risk rating definitions in ACT Health's Integrated Risk Management Guidelines. Further details are provided at Appendix D. The following table provides the level of management action required for each risk rating category:

Rating scale for individual findings	
Extreme Risk	All possible action is taken at Executive level, to avoid and insure against these risks.
High Risk	Generally managers are accountable and responsible personally for ensuring that these risks are managed effectively.
Medium Risk	Accountability and responsibility for effective management of these risks is delegated to line managers at an appropriate level.
Low Risk	These risks are managed in the course of routine procedures, with regular review and reporting through management processes.

3.2 Asset policies and procedures

Background

Director-Generals of ACT Government directorates are responsible under subsections 31(1) and (4) of the *Financial Management Act 1996* ('the Act') for the efficient and effective financial management of the public resources for which the directorate is responsible and proper accounts and records in accordance with generally accepted accounting principles. The ACT *Government Procurement Act 2001* outlines the legislative requirements for directorates to procure goods, services and works in the ACT.

The *ACT Health Procurement Guidelines* provide procedural guidance to all ACT Health staff involved with the procurement of goods and services. These guidelines outline that the total value of a procurement is to be determined by reference to the expected whole of life cost and non-clinical area endorsements are required for the purchase of plant and equipment from Directors in Business & Infrastructure to ensure that ongoing maintenance, support, cleaning, compatibility and ergonomic requirements are applicable, have been fully considered and drawn to the attention of those areas likely to be responsible for installation, maintenance, sterilisation and repair of the items. The Guidelines require that endorsements are to be recorded on the Procurement Functional Brief Coversheet, and should be attached to the Statement of Requirement submitted to the ACT Health Procurement Delegate (in Business & Infrastructure) for final authorisation.

The Director-General's Financial Instruction (DGFI) *6.1 Asset Management* advises that the principle objective of the Directorate's asset management strategy is to make the most of the service potential of each asset, in all phases of the asset's lifecycle.

Although not formally established, asset stakeholders interviewed generally understand that Finance is required to record assets for financial reporting purposes. Biomedical Engineering, Property Management Maintenance and Pathology need to record items for lifecycle management purposes (particularly maintenance) while clinical areas are responsible for procuring, tracking and looking after items used in and assigned to their respective clinical areas. However, the requirement to update Business & Infrastructure to ensure the accuracy of the asset register, except on request, was not identified by interviewed stakeholders as a standard requirement.

The *DGFI 6.1 Asset Management* addresses area names and responsibilities within ACT Health that are not reflective of existing roles and responsibilities. The policy was due to be reviewed by Finance and Business & Infrastructure on or prior to October 2016.

The ACT Health *Strategic Asset Management Policy for Major Equipment* states that it only applies to Business & Infrastructure area. The policy also includes confusing language and information, such as reference to 'financial assets' and defining that all assets covered by the policy are managed by the 'Asset Coordinator' within the Business & Infrastructure Stream. No other asset management policies were provided for the purposes of the audit.

The *Asset Management Standard Operating Procedure* (SOP) defines operational business procedures and describes the objectives, processes and key activities of asset management for major plant and equipment, it is a comprehensive resource. However, based on discussions with stakeholders outside of Business & Infrastructure and Finance the SOP has not been widely promoted.

The SOP does not address all stakeholder roles (does not provide details of Property Management Maintenance's asset management role) and a complete asset lifecycle (as illustrated in **Appendix F**). In particular, it does not address the recognition of asset commissioning and decommissioning costs[1], custodianship and tracking of assets within the health service (including movement between clinical areas) and accounting for all modifications to assets, including upgrades to assets.

When assets are required to be purchased to address an urgent need, there is no formal policy for emergency (time critical) procurement[2] of assets to streamline the procurement process and ensure these assets are appropriately recorded. Business & Infrastructure have confirmed an emergency procurement process has only been required approximately six times in ten years, however Biomedical Engineering considers that Clinical areas may be undertaking this process more regularly.

Business & Infrastructure staff do not have a complete understanding of Finance and Shared Services' roles in recording assets and vice versa. It is unclear whether the responsibility for advising Business & Infrastructure, Finance and Biomedical Engineering of newly procured items resides with the clinical area that procured the items; and it is unclear to clinical areas whether the Biomedical Engineering or Property Management Maintenance area is responsible for recording, tracking and managing some portable patient-related assets such as beds.

Findings

1a) There is no formal clear and up-to-date policy that identifies which areas of ACT Health are currently accountable for recording and managing assets.

The *DGFI 6.1 Asset Management* includes outdated names for Divisions in ACT Health. The policy also identifies that the Shared Services Centre (SSC) is responsible for maintaining the Directorate's Asset Register, and the Director, Logistic Support is responsible for administrative functions for the internal control of capitalised assets, including stocktaking, write-off, disposal and transfer. Although SSC is responsible for maintaining the Oracle system which houses the Oracle Government Financials Fixed Assets Register, it is not currently ensuring the asset register is complete and accurate. Audit was advised that this role is performed by Business & Infrastructure.

The Executive Directors are also identified in the DGFI as responsible for ensuring asset purchases and disposal processes are correctly costed and written off. However, it is not made clear how they are to meet this responsibility as the policy states that Business & Infrastructure are responsible for the disposal of Directorate assets and the Asset Management Coordinator is the officer responsible for completing Asset Addition forms and forwarding these forms to the SSC through Finance.

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[1] Any costs directly attributable to bringing the asset to the location and condition necessary for use and any end-of-life dismantling costs are required to be capitalised as part of the cost of the asset under section 16 of Australian Accounting Standard *AASB 116 Property, Plant and Equipment*. Australian Accounting Standards constitute the generally accepted accounting principles that are required to be applied by ACT government entities in preparing annual financial statements under section 22 of the *Financial Management Act 1996*.

[2] Where normal procurement procedures are circumvented and a purchase is made before procurement paperwork is prepared.

The DGFI does not address the roles and responsibilities of the asset management areas in relation to assets, Biomedical Engineering and Property Management Maintenance, including in relation to commissioning and decommission of assets and the recording of these costs. In addition, custodianship for asset labelling when the asset is received by ACT Health is not clearly addressed in the policy.

The ACT Health asset management policy, *Strategic Asset Management Policy for Major Equipment* does not clearly address which clinical and service areas are accountable for recording and managing assets, including asset receipting, initial recognition, recording, tracking and stocktaking. This policy also does not apply to the whole of ACT Health[3]. This means there is no clearly stipulated chain of custody for assets from procurement onwards and this is evident in the disparate ACT Health asset management lifecycle (refer **Appendix G**).

Areas with responsibility for asset management do not understand the end-to-end asset management and accounting roles performed by other stakeholders and related dependencies.

There is a disconnect between clinical areas that are responsible for procuring items necessary for clinical services and the areas responsible for recording and/or managing the lifecycle of these assets (Biomedical Engineering, Property Management Maintenance, Business & Infrastructure and Finance) – refer **Appendix G**.

Audit found that there is no clear up-to-date policy for the management (including stocktake) of portable and attractive items (items with a value below the capitalisation threshold of $5K), including identification, tracking and recording of these items. The *DGFI 6.1 Asset Management* advises that:

The term 'Portable and Attractive' items, is intended to mean items (whether leased or owned) which, by their nature, can be assumed to have a high level of risk of theft or loss and which are not minor in value – for example, laptop computers, mobile phones, digital cameras, etc. Executive Directors are responsible for maintaining a 'Portable and Attractive' items register and ensuring that stock takes of these items are carried out.

However, the DGFI does not define a 'Portable and Attractive item', only an asset having a value of $5K or more. The frequency of stocktake is not addressed in the policy. Consequently, the policy on portable and attractive items is unclear and they are not being properly recorded and managed (refer **Finding 2c** for further detail).

1b) There is no formal policy for emergency procurement of assets to streamline acquisition and ensure these assets are appropriately recorded.

There is no formal policy for emergency (time critical) procurement[4] of assets to streamline the procurement process and ensure these assets are appropriately recorded.

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[3] The ACT Health *Strategic Asset Management Policy for Major Equipment* has been developed by ACT Health, Business and Infrastructure, Logistic Support, specifically for its own use (per disclaimer in the policy).

[4] Where normal procurement procedures are circumvented and a purchase is made before procurement paperwork is prepared.

The *Asset Management Standard Operating Procedure* (SOP) includes a paragraph on the operational requirement for expedited procurement of assets, however this procedure is not formalised as a policy.

Conclusion

Without a clear formal policy that is up-to-date, accountability for assets and portable and attractive items is unclear. Areas with responsibility for managing assets do not understand end-to-end asset management, the intersecting roles performed by other areas, and accounting tasks to comply with legislation and policy.

This results in procured items not being properly recorded and managed in line with subsections 31(1) and (4) of the *Financial Management Act 1996*. For example, the 2015-16 and 2014-15 Stocktake reports identify that some assets were procured against the incorrect cost centre number which made locating assets difficult during each stocktake. Further, the disconnected procurement decision-making by individual clinical areas leads to upgrades, maintenance and purchases not being appropriately prioritised and managed in accordance with overall ACT Health resourcing requirements, manifesting in potentially excessive purchase of some items.

Recommendation 1

It is recommended that ACT Health update the Asset Management DGFI's to:

a) Identify clear roles and responsibilities for updating asset records.
b) Provide the key approval points for emergency procurement of critical items.
c) Outline clearly how portable and attractive items are to be recorded and monitored.
d) Reference the *Strategic Asset Management Policy for Major Equipment* as a subsidiary policy.

3.3 Asset register and management systems

Background

Within the health services environment the importance of an accurate and complete fixed asset register that is accessible to key asset management staff is paramount as this will:

- Ensure the accuracy of the fixed assets in the balance sheet and related asset accounts;
- Identify tangible items with a useful life over 12 months that are critical to delivering a quality health service. This information can be used to maximize the effectiveness and safety of asset deployment and replacement;
- Streamline maintenance and upgrade processes to extend the longevity and operational value of assets, eliminate downtime and improve productivity;
- Decrease capital costs through elimination of over-purchasing of items by enabling planned procurement with resultant access to bulk discounts; and
- Improve the reliability of budgets and reduce reactionary funding proposals.

Separate asset registers are maintained by Business & Infrastructure, Property Management Maintenance, Biomedical Engineering, Pathology and individual clinical areas. Except for Pathology, no registers are maintained to record portable and attractive items. There is no centralised asset management system used throughout ACT Health.

There is evidence of discrepancies between the different asset registers based on information provided by interviewed stakeholders. For example, Pathology reports that there is always a discrepancy between their own asset register and the Business & Infrastructure (ACT Health) asset register due to asset disposals not having been addressed in the register when the disposal forms have been previously provided to Business & Infrastructure.

Section 11 of the *Standard Operating Procedures for Strategic Asset Management of Major Equipment* indicates that there are three different ways that goods can be received into the health service.

1. The assets can be delivered to the dock by the supplier and are receipted against the invoice/delivery docket. Then the invoice is sent to Shared Services for payment and then the asset is either sent to either Biomedical Engineering or direct to the clinical area.
2. The assets are delivered to the dock by the supplier however the clinical area or Biomedical Engineering have requested that the assets are not receipted immediately until they have been checked5. Once the items have been checked the invoice is returned to ACT Health Supply Services in Mitchell and sent to Shared Services for payment. A Purchasing and Inventory Control System (PICS) entry is made to record the asset which transfers to the asset holding account in Oracle after the assets have been acceptance tested by biomedical engineering

3. The third means of receiving assets identified is when the assets are delivered directly to the clinical area by the supplier and the invoice is later sent to ACT Health Supply Services for provision to Shared Services; and a PICS entry is made to record the asset.

The actual process can differ from these reported arrangements (also refer to **Appendix G**):

- Items are not always recognised as assets so there is no provision of an invoice for correct entry in the accounts (via a PICS asset entry) and no later entry into the asset register via completion of an asset addition form that is provided to Finance then Shared Services.[6] These assets are deployed to clinical areas, without proper tagging and an ACT Health asset record.

- Assets can be delivered to the wrong clinical area. This occurs when assets are receipted without any record of which area purchased the asset. Often beds and other assets arrive at the dock without any knowledge of the procuring area and the intended destination within the hospital. Consequently no paperwork may be provided for updating the asset ledger and register.

In addition, the Property Management Maintenance asset management area is not routinely informed of any non-medical equipment for lifecycle management purposes, such as new beds.

Finance provides asset addition and disposal forms submitted by Business & Infrastructure and clinical areas to Shared Services to make the required accounting entries in Oracle (including transfer of items from the Asset Purchase Clearing (holding) Account to the appropriate asset account). Finance does not currently check to ensure the accounting entries made in Oracle reconcile with the information on these forms and that the asset register has been properly updated. However the Asset Purchase Clearing Account is regularly checked to ensure it is cleared.

The directorate reports that it undertakes major cyclical maintenance on its assets and where maintenance leads to an upgrade and increase to the service potential of an existing asset the cost is capitalised. Maintenance expenses incurred which do not increase the service potential of the asset are expensed.

Audit found that assets with a value of greater than $25K are subject to annual revaluation (including impairment testing). This is conducted by Finance in conjunction with a review by cost centre managers of clinical areas against impairment indicators[7].

However, this does not address all assets (between $5K and $25K). Decisions in relation to asset value are not based on the critical knowledge of the asset management areas (Biomedical Engineering and Property Management Maintenance), which are responsible for management of repairs, maintenance and upgrades to assure the serviceable condition of equipment in the health service.

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[6] 60 per cent of the audit sample, were found to relate to unrecorded (uncapitalised) assets – refer Appendix H.

[7] As advised by interviewed stakeholders in Business and Infrastructure and also as set out in section 16.3 of the *Asset Management Standard Operating Procedure*.

Findings

2a) There is no complete asset register in relation to existing assets and no centralised asset management system.

As mentioned earlier, there are multiple asset registers maintained by ACT Health. Due to limitations with the asset recording and disposal process, the register maintained by the Business & Infrastructure cannot be considered a complete holding of ACT Health assets.

The following evidence confirms that the ACT Health asset register (maintained by Business & Infrastructure) is incomplete, such that ACT Health does not have an accurate and complete record of the assets it owns:

- Advice from 75 per cent of interviewed (9 of 12) key stakeholders from Finance, Property Management Maintenance, Business & Infrastructure and Biomedical Engineering
- The results from the audit sample that many expenditure items are un-capitalised assets (refer **Appendix H**).
- Assets are not accurately and completely recorded in the asset register. Additional assets have not been found during stocktakes (refer stocktake information at **Section 3.5**).

Key stakeholders relay that this is due to a number of factors, which are addressed under the sections below.

Other asset registers maintained within ACT Health are also incomplete, including the asset registers managed by Property Management Maintenance[8] and Biomedical Engineering.

There is also no centralised asset management system for generating unique asset identifiers, recording and managing assets within ACT Health. Different systems and applications (such as Microsoft Excel) are used to record and manage assets by the various responsible areas within ACT Health.

Clinical areas are reportedly responsible for most asset tracking, security and addition and disposal record-keeping, yet do not have the ability to readily view a central asset record to check for any inaccurate or incomplete information.

2b) Assets are not always appropriately labelled and recorded in the asset register upon acquisition and removed on disposal.

Assets are not always being recorded in the asset register, including not being given an asset label and correctly recorded in the asset register upon receipt at the dock and prior to deployment based on advice from interviewed stakeholders and audit sample results at **Appendix H**.

Asset disposal forms are not always provided to, and processed by, Business & Infrastructure to effect timely changes to the asset register. 113 assets that had been retired or disposed of had not been removed from the asset register as identified during the 2015-16 Stocktake. Asset disposal forms were only incomplete for 16 of these assets.

[8] The listing of assets managed by Property Management Maintenance is still being developed. Some of these assets are considered 'owned' by this area, including beds and lifters.

Not removing assets that have been disposed of from the asset register is non-compliant with standard accounting practice and the ACT Government *Procurement Policy Circular PC06: Disposal of Assets*. Refer **Section 3.4** for further detail.

2c) Purchased portable and attractive items are not recorded on the asset register.

Portable and attractive items are not recorded on purchase, except for scientific equipment with a value of less than $5K, which is recorded in an internal asset register maintained by Pathology. Some stakeholders interviewed suspect that an excessive number of portable and attractive items are being purchased as there is no stocktake of these items and portable and attractive items may be sometimes subject to theft due to these limited controls.

The repairs and maintenance ledger and other expense accounts are not being monitored to ensure purchased portable and attractive items are appropriately recorded for through-life tracking and management[9]. Clinical area managers have a delegated financial approval limit of $5K without needing to go through the standard procurement process with additional approvals. This delegation is often used to purchase portable and attractive items for clinical areas.

2d) Asset values are not updated through-life based on reliable information.

Due to a lack of timely and appropriate asset reporting and record-keeping, those assets that are impaired or obsolete are often not updated in the asset register and accounts in a timely manner. Finance's review of the assets in the asset register for any required revaluation, in conjunction with clinical areas, does not benefit from the asset management areas' knowledge of asset condition and technological succession. In particular, asset management areas do not get asked to report on indicators of asset impairment and obsolescence, including when assets have been damaged, regularly break down or have been technologically superseded by other plant and equipment. These stakeholders could provide a greatly enhanced understanding of asset condition and possibly also approximate the need for future maintenance, upgrade and replacement.

Although the individual value of capitalised assets is out of scope for this audit, it is noted that the value of asset stock could be adversely impacted as asset impairment and obsolescence do not appear to be effectively monitored.

2e) Reconciliations between asset addition and disposal forms, accounting records and the asset register are not being routinely completed.

Discussions with stakeholders in Finance, including the Finance Executive Manager, highlighted that reconciliations of asset addition and disposal forms to accounting transaction records and the asset register are currently not being completed. This includes no monitoring of expense accounts to ensure all assets are recorded.

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[9] Although portable and attractive items have a value of less than the ACT Health asset capitalisation threshold of $5K each, these items need to be properly recorded and subject to quality checks when they are important to the clinical service (sometimes critical to life support), such as equipment and infrastructure used for spot vital sign monitoring.

Conclusion

ACT Health does not have an accurate view of all the assets it controls. Procured items are not being properly recorded and managed in line with subsections 31(1) and (4) of the *Financial Management Act 1996*. This could result in loss or mismanagement of assets and have adverse ramifications for patient safety and the quality of the health service, with consequent reputational and financial risks.

Recommendation 2

It is recommended that ACT Health implement:

a) A complete asset register in an appropriately controlled ICT system.

b) A procedure that identifies the critical path for asset recognition, accounting and lifecycle management.

c) A portable and attractive items register.

d) Annual asset impairment and obsolescence reviews in conjunction with key asset maintenance areas of ACT Health.

e) Routine reconciliations between asset movement forms, transaction records and the asset register.

3.4 Asset approval processes

Background

The *ACT Health Procurement Guidelines* outline that authorisation must be obtained from the relevant Financial and Procurement delegate before acquiring any assets. The decision as to whether to purchase an asset is usually made by separate clinical areas with the endorsement from the Plant & Equipment Committee.

Asset addition and disposal forms for medical and patient-related assets (for items with a value of at least $5K and with a useful life greater than 12 months) must be approved by the clinical delegate and Biomedical Engineering. This excludes portable and attractive items less than $5K each. Business & Infrastructure and Property Management Maintenance are not required to sign asset addition or disposal forms. Finance signs disposal forms but are not required to sign asset addition forms as complete and accurate before forwarding to Shared Services for accounts processing.

Under the ACT *Government Procurement Act 2001*, disposals are procurement activities. The Act prescribes that an ACT government entity undertaking a procurement, including a disposal action, must pursue value for money for the ACT. In pursuing value for money, entities must also have regard to the following:

- probity and ethical behaviour;
- management of risk;
- open and effective competition;
- optimising whole of life costs; and
- anything else prescribed by regulation.[10]

Purchase and disposal of portable and attractive items are determined by clinical areas. Some stakeholders interviewed suspect that an excessive number of portable and attractive items are being purchased for ACT Health, facilitated by the limited accountability and control over these items.

Areas responsible for lifecycle repair and maintenance of assets (Property Management Maintenance and Biomedical Engineering areas) are not appropriately consulted and notified when an item is to be disposed of and/or replaced. These areas have knowledge of whether replacement or disposal may be appropriate and could provide valuable input into a decision on whether to upgrade, repair or replace an asset to ensure compliance with the ACT Government *Procurement Policy Circular PC06: Disposal of Assets*.

[10] ACT Government, Procurement and Capital Works (Chief Minister, Treasury and Economic Development Directorate). *Procurement Policy Circular: PC06: Disposal of Assets.*

ACT Health could achieve future cost savings, when for example:

- assets that are able to be repaired/maintained in future (such as having parts available for future repairs and maintenance) are purchased instead of assets that will be unsupported by vendors in future (such as when parts will no longer be manufactured)[11].

Any member of staff can complete an asset disposal form and authorise the disposal of an asset identified to have $0 net book value. Finance does not verify asset disposal details[12] and this is compounded by an incomplete asset register and clinical areas' primary role in decision-making concerning asset procurement, presenting the risk of assets being incorrectly disposed of or potentially misappropriated. For example, assets can be incorrectly disposed of and replaced by clinical areas when they exist, such as when these assets are in for repair. There is currently no formal escalation and accountability policy for unrecorded or lost assets.

Findings

3a) There is no clearly identified segregation of duties for purchase and disposal of portable and attractive items.

The purchase and disposal decision in relation to portable and attractive items are made by clinical areas. Clinical area managers have a delegated financial approval limit of $5,000, this delegation is often used to purchase portable and attractive items for clinical areas.

This results in a lack of segregation of duties as the same area purchases and disposes of portable and attractive items. This is further compounded by a lack of recording of portable and attractive items on a register. Overall, this increases the risk of assets being stolen due to a lack of a sufficient control environment.

3b) Any officer in the health system is able to approve disposal of assets deemed to have 'zero net book value'.

There is no secondary approval delegate for assets with a value identified on the disposal form to be $0. Finance does not check this information and staff can complete an asset disposal form and authorise the disposal of an asset identified to have $0 net book value.

Conclusion

Due to weaknesses in the control environment relating to approval of the acquisition and disposal of items, there is a risk that items will be misappropriated. As a result of general lack of comprehensive monitoring, any theft may also go undetected. Procured items are not being properly recorded and managed in line with subsections 31(1) and (4) of the *Financial Management Act 1996*.

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[11] For example, clinical areas are continuing to purchase spot vital sign monitors which will not be supported with manufactured parts after 2020.

[12] Asset disposal forms are provided to Finance for provision to Shared Services to make the accounting entries but are not checked by Finance.

Recommendation 3

It is recommended that ACT Health:

a) Implement a central procurement process that segregates purchasing from disposal activities.

b) Procurement areas should receive input from asset management areas on any decision to procure assets that require testing or maintenance.

c) Assign the final approval for disposal of assets with reported 'zero net book value' to Finance and the relevant Asset Management Area.

3.5 Stocktaking and tracking of assets

Background

All plant and equipment costing $5K or greater must have an ACT Health asset label affixed for stocktake and audit purposes. It is the responsibility of the Requesting Officer who orders the equipment to ensure a label is affixed. Assets that are replaced under warranty or service agreement sometimes have the same asset number applied to the new asset, rather than being assigned a new asset number.

Different coloured asset labels are applied by Property Management Maintenance, blue asset labels are used by Business & Infrastructure and Biomedical Engineering, and white labels are used by Biomedical Engineering for medical and patient-related items with a value less than $5K.

The stocktake process involves:

- Business & Infrastructure requesting the most recent Oracle Asset report from Shared Services through Finance.
- This report being modified by the Asset Coordinator in Business & Infrastructure to remove all 'retired status' assets: vehicles, leased items, software, buildings, land, sterile instruments and tangible assets.
- Stakeholders being informed about the stocktake occurring and Executive Directors or Executive Managers being emailed a list of assets recorded against their Division.
- An initial reconciliation of the Oracle Asset report with the individual clinical area's knowledge of assets (can be based on assets in a clinical area's own 'asset register').
- What is not found from the Oracle Asset report being checked with the 'BIOM Mainet' system[13] report (this is the asset register maintained by Biomedical Engineering). Any assets not located are then discussed with the Business Unit Manager and physical scanning is conducted to locate the assets if required.
- The Annual Stocktake Report is prepared and provided to each ACT Health Executive Director, the Internal Auditor and the Chief Executive.
- Oracle and the PICS Asset Management Databases are updated as appropriate.

ACT Health now undertakes a rolling stocktake process primarily carried out by one to two Business & Infrastructure staff in conjunction with a member of each clinical area from where the assets are being identified and scanned. Biomedical Engineering also regularly updates Business & Infrastructure on any medical and patient-related assets that are added to the Biomedical Engineering asset register (recorded in the BIOM Mainet system).

[13] Mainet is the Facility management database system (developed by MAINPAC) which contains the Biomedical Asset information and is managed by Shared Services ICT in one of their SHARED virtual server farms. The version of Mainet used by ACT Health is Build 2.2.1.24186, the upgraded version is also used by Facility management (maintenance department). The upgraded version is not used by Biomedical Engineering as it is not appropriate for Biomedical Asset management, with limited maintenance scheduling and other functionality.

Although Biomedical Engineering does not have access to the Business and Infrastructure (ACT Health) asset register to cross-check asset records.

Stocktakes are not well-resourced within ACT Health and are undertaken by staff who do not have sufficiently sound knowledge of the specialised assets that ACT Health acquires for different areas of the health service. This reduces the likelihood of all assets being able to be located during the stocktake process. For example, a medical asset attached to the Careflight Helicopter was recorded as lost and disposed of by Business & Infrastructure staff following one stocktake.

It is noted, however, that Business & Infrastructure staff who undertake stocktaking do have important knowledge of the stocktake process and there is no succession plan in place for these staff in case they are unavailable.

Stocktake results for ACT Health identified that:

- 108 assets were not able to be located during the 2015-16 Stocktake (122 in 2014-15) however this is reported to be only 1 per cent of the total net book value of all assets on the asset register.

- The stocktake process primarily reports assets located from the register to the floor. No additional assets were identified to have been found in the stocktake results summarised and reported for 2015-16 and 2014-15, other than assets disposed of/retired. However, the tables at the back of the stocktake reports identify significant numbers of assets found during the stocktake process, including an uncalculated number of assets purchased using incorrect accounts and an additional 100 assets that were not previously recorded on the asset register.

Assets may not be identified during stocktake as they are in a different location, such as mobile assets (that may travel with patients) and assets physically located with Property Management Maintenance or a vendor for repair. Mobile items[14] such as beds, patient trolleys, lifters and wheelchairs are most vulnerable to misplacement, theft and loss of condition as they transition between different areas of ACT Health. These assets are not able to be tracked as ACT Health has not implemented location technology. The ability to specifically locate assets would be useful for optimal utilisation and stocktake purposes, however any tracking technology should not interfere with medical equipment.

Real-time locating systems (RTLS) are used within various industries, including health services, to automatically track and identity the location of equipment in real time. ACT Health does not currently utilise a RTLS to track assets or portable and attractive items. In an RTLS, tags are attached to items and fixed equipment receives wireless signals to identify the location of each item. RTLS technology utilises radio frequency, optical (usually infrared) or acoustic (ultrasound) waves, which can interfere with sensitive medical equipment, including potentially shutting down critical life support equipment that patients rely on[15].

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[14] Some mobile assets, such as for vital life support, are valued at more than $200K per unit.

[15] RFID Real-time locating systems caused interference in 34 of 123 tests performed. (JAMA Network. Electromagnetic Interference from radio frequency identification inducing potentially hazardous incidents in critical care medical equipment. [online] Jama.jamanetwork.com)

However passive RFID may be worth considering as it can operate without interference in emergency departments (refer **Appendix H**).

Business & Infrastructure staff advised that it is difficult to obtain Executive approval of stocktake results for each clinical area due to a lack of accountability and understanding of responsibility in relation to stocktakes. In addition, there is no formal escalation and accountability policy for unrecorded and lost assets, including those identified during stocktake.

ACT Health uses the annual stocktake results as the primary Key Performance Indicator (KPI) to identify the effectiveness of asset addition and disposal processes.

Findings

4a) There is inadequate visibility and tracking of assets and portable and attractive items.

Notification of new medical and patient-related assets is not always provided to Business & Infrastructure and Finance for proper recording, and to Biomedical Engineering for maintenance scheduling, acceptance testing and any necessary trial testing. Some assets are purchased by clinical areas, then not entered into PICS following receipt and therefore not reflected in the Oracle asset accounts. Other assets are incorrectly expensed by clinical areas (such as against the repairs and maintenance ledger) and are never barcoded to allow scanning with line of sight. Audit obtained a judgemental sample selected from the 2015-16 ACT Health Repairs and Maintenance ledger. It was found 60 per cent of transactions were assets that had not been capitalised (refer **Appendix H**).

Assets are not properly recorded as grouped or ungrouped assets/sub-assets for effective lifecycle management, including to allow for depreciation over the specific useful life of each component and easier location during a stocktake. For example, multiple asset labels have been assigned to components of the same asset without linkage of these assets in the asset register, or components of one major asset not being assigned individual sub-asset labels. ACT Health uses different labels and barcodes for identifying assets. No single standard or differentiated system has been implemented to meet all users' needs.

4b) Stocktakes are not appropriately resourced and do not ensure all assets are complete on the asset register.

Stocktakes are heavily dependent on a 'register to floor' approach and the involvement of clinical area staff to assure that the assets have been located. Biomedical Engineering has advised that the knowledge of Business & Infrastructure staff and the number of staff is not sufficient to undertake a complete stocktake of specialised medical equipment, particularly to be able to locate equipment not recorded on the asset register (that is, to stocktake from 'floor to register' to ensure the asset register is complete). The asset management areas with specialised knowledge of the ACT Health asset portfolio are not brought in to assist with the stocktake process.

In addition, there is no Real-time locating system implemented in the health service to assist with location, monitoring and lifecycle management of assets. Assets are being purchased under building project accounts[16], the repairs and maintenance ledger and other expense accounts.

Although these assets are identified during the annual stocktake, they are not then re-classified and reconciled as part of the stocktake process to the asset register to ensure capital items are appropriately recorded, including all assets and component parts that are enhancements to assets and therefore required to be capitalised.

4c) Stocktake and asset recording processes are not well understood by staff and managers.

Business & Infrastructure staff reported that there is not strong engagement from clinical area staff and management in the stocktake process and sign off on any assets not able to be located. Other stakeholders interviewed confirmed that knowledge of the stocktake and its purpose is reasonably low.

Conclusion

Without clear visibility of ACT Health asset inventory and a good understanding amongst staff of the stocktake process, the likelihood of assets not be properly secured and fit for purpose is quite high when the number of assets used across the health service is considered. This circumstance is also non-compliant with subsections 31(1) and (4) of the *Financial Management Act 1996*.

Recommendation 4

It is recommended that ACT Health:

a) Consider whether implementing a passive RFID Real-time locating system could provide a viable asset tracking system without undue risk of interference to medical equipment.

b) Involve personnel with strong knowledge of ACT Health assets, particularly medical equipment, in the stocktake process.

c) Train clinical and other asset management areas in the appropriate lifecycle management of assets and portable and attractive items.

[16] Significant numbers of assets have been found at Belconnen and Gungahlin Health Centres which were purchased under the building contracts and were not recorded as individual assets.

Appendix A Recommendations Implementation Plan

Area Audited:	Review of Asset Stocktaking
Date of Audit:	February 2017 (completion of draft report)

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
1	It is recommended that ACT Health update the Asset Management DGFI's to: a) Identify clear roles and responsibilities for updating asset records. b) Provide the key approval points for emergency procurement of critical items. c) Outline clearly how portable and attractive items are to be recorded and monitored. d) Reference the *Strategic Asset Management Policy for Major Equipment* as a subsidiary policy.	Accepted. DGFI, policy and procedures will be updated to reflect recommendation, however, given that there is an existing policy and procedures requiring updating in place.	Executive Director, Business Support	June 2018

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
2	It is recommended that ACT Health implement: a) A complete asset register in an appropriately controlled ICT system. b) A procedure that identifies the critical path for asset recognition, accounting and lifecycle management. c) A portable and attractive items register. d) Annual asset impairment and obsolescence reviews in conjunction with key asset maintenance areas of ACT Health. e) Routine reconciliations between asset movement forms, transaction records and the asset register.	a) Agreed – Requires project funding at DDG level b) Accepted. DGFI, policy and procedures will be updated to reflect recommendation c) Agreed – DGFI, policy and procedures will be updated to reflect recommendation, however, there is a lack of recording any losses of equipment in the Riskman System and lack of large quantities of equipment purchases due to loss rather than as a replacement. d) Overall the total asset value from a financial perspective, is 4.2% of total asset value. e) This will be discussed with the CFO. However it should be noted that this will require significant interface between BSS, Biomedical Engineering, Facilities Management & CFO with clearly defined process. Given the total asset value at 4.2%. The amount of administrative effort should not outweigh the potential loss of assets. Whole of Government ACT Accounting Policy – Portable and attractive Items (30 June 2006)	a) Deputy Director General Corporate b) Executive Director, Business Support c) Deputy Director General Corporate d) Chief Financial Officer e) Chief Financial Officer	June 2018

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
3	It is recommended that ACT Health: a) Implement a central procurement process that segregates purchasing from disposal activities. b) Procurement areas should receive input from asset management areas on any decision to procure assets that require testing or maintenance. c) Assign the final approval for disposal of assets with reported 'zero net book value' to Finance and the relevant Asset Management Area.	a) Agree that process should be specified re. delegations. Business units are responsible for purchasing and Finance are responsible for disposal. b) Agreed – To be incorporated into the DGFI. Procedures defined in relation to roles and responsibilities however, inclusion of clear pathways for testing and maintenance is already developed and sign off processes included in the current policy and procedures for procurement. c) Agreed – DGFI, policy and procedures will be updated to reflect recommendation however, finance currently holds responsibility for the final sign off.	a) Executive Director, Business Support b) Executive Director, Business Support c) Executive Director, Business Support	June 2018
4	It is recommended that ACT Health: a) Consider whether implementing a passive RFID Real-time locating system could provide a viable asset tracking system without undue risk of interference to medical equipment.	Partially agreed a) Investigate the feasibility of and RFID system to identify the benefit of such a system given the overall low cost of potential items not found. Assets are currently managed and areas responsible for asset management ie. Biomedical Engineering, Facilities Management and relevant clinical staff are aware of Policy and Procedures and currently participate in asset stock taking processes.	a) Chief Information Officer b), C) Executive Director, Business Support	

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
	b) Involve personnel with strong knowledge of ACT Health assets, particularly medical equipment, in the stocktake process. c) Train clinical and other asset management areas in the appropriate lifecycle management of assets and portable and attractive items.	b) Agreed. Areas responsible for portable and attractive items will be accountable for reporting against stocktake of registers they may hold. E.G biomedical Engineering, Pathology, Facilities Management. c) There is currently an e learning package for all staff involved in procurement and asset management. Policy and Procedures will outline the lifecycle management of assets.		

Appendix B Approved audit objective, scope and methodology

Objective:

To provide assurance to ACT Health that key controls associated with the stocktaking and recording of fixed assets in the fixed asset register are operating effectively.

Scope:

Non-current fixed assets are the subject of the audit, particularly medical and non-medical plant and equipment with a value of $5,000 or greater, with a smaller focus on portable and attractive items. Assets excluded from the audit scope as agreed with Internal Audit and ACT Health management were leased assets, ICT, land and property, heritage and community assets and motor vehicles.

The quantitative accuracy of asset values on the asset register and ACT Health balance sheet is out of scope.

Methodology:

Appendix C Personnel Consulted

The following ACT Health personnel were consulted as part of this audit. We are appreciative of their assistance:

Sarwan Kumar - Internal Audit and Risk Manager, ACT Health
Johan Pretorius - Senior Internal Auditor, ACT Health
Rosemary Kennedy – Executive Director, Business & Infrastructure Executive, ACT Health
Trevor Vivian – Executive Director – Finance, ACT Health
Brad Burch – Innovation Partner, Executive Unit, ACT Health
Gary Wright – Director Logistic Support, Balance Sheet Cost Centre, ACT Health
Jacob Culver – Manager – Commercial Advice, Executive Unit, ACT Health
Tim Roach – Procurement Coordinator, Logistics Management, ACT Health
John Kilday – Asset Manager, Health Infrastructure Program, ACT Health
Andrew Hewat – Manager, Financial Management Unit, ACT Health
Godfrey Lawrence – Principal Financial and Management Accountant, Financial Management Unit, ACT Health
Abu Anowar – Senior Management Accountant, Financial Management Unit, ACT Health
Monica Brady – Principal Scientist, Pathology, ACT Health
Shiva Sivasubramaniam – Clinical Asset Manager, Biomedical Engineering, ACT Health

Appendix D Risk Rating Framework

LIKELIHOOD

Descriptor	Probability of occurrence	Indicative Frequency
Almost certain	Occurs more frequently than 1 in 10 tasks.	Is expected to occur in most circumstances.
Likely	1 in 10 – 100	Will probably occur.
Possible	1 in 100 – 1,000	Might occur at some time in the future.
Unlikely	1 in 1,000 – 10,000	Could occur but doubtful.
Rare	1 in 10,000 – 100,000	May occur but only in exceptional circumstances.

CONSEQUENCE

	Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
People (Staff,Patients, Client, Contractors, OH&S)	Injuries or ailments not requiring medical treatment	Minor injury or First Aid Treatment required	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.

	Insignificant	Minor	Moderate	Major	Catastrophic
Clinical	No injury No review required No increased level of care	Minor injury requiring: Review and evaluation Additional observations First aid treatment	Temporary loss of function (sensory, motor, physiological or intellectual) unrelated to the natural course of the underlying illness and differing from the expected outcome of patient management.	Permanent loss of function (sensory, motor, physiological or intellectual) unrelated to the natural course of the underlying illness and differing from the expected outcome of patient management. A number of key events or incidents.	Patient death unrelated to the natural course of the underlying illness and differing from the immediate expected outcome of the patient management. All national sentinel events.
Property and Services (Business services and continuity)	Minimal or no destruction or damage to property. No loss of service Event that may have resulted in the disruption of services but did not on this occasion.	Destruction or damage to property requiring some unbudgeted expenditure. Closure or disruption of a service for less than 4 hours- managed by alternative routine procedures. Reduced efficiency or disruption of some aspects of an essential service.	Destruction or damage to property requiring minor unbudgeted expenditure. Disruption to one service or department for 4 to 24 hours - managed by alternative routine procedures Cancellation of appointments or admissions for number of patients. Cancellation of surgery or procedure more than twice for one patient.	Destruction or damage to property requiring major unbudgeted expenditure. Major damage to one or more services or departments affecting the whole facility – unable to be managed by alternative routine procedures. Service evacuation causing disruption of greater than 24 hours, e.g. Fire/ flood requiring evacuation of staff and patients/clients (no injury); or Bomb threat procedure activation, potential bomb identified, partial or full evacuation required (+/- injury).	Destruction or damage to property requiring significant unbudgeted expenditure. Loss of an essential service resulting in shut down of a service unit or facility. Disaster plan activation.
Financial	1% of budget or <$5K	2.5% of budget or <$50K.	5% of budget or <$500K.	10% of budget or <$5M.	25% of budget or >$5M.

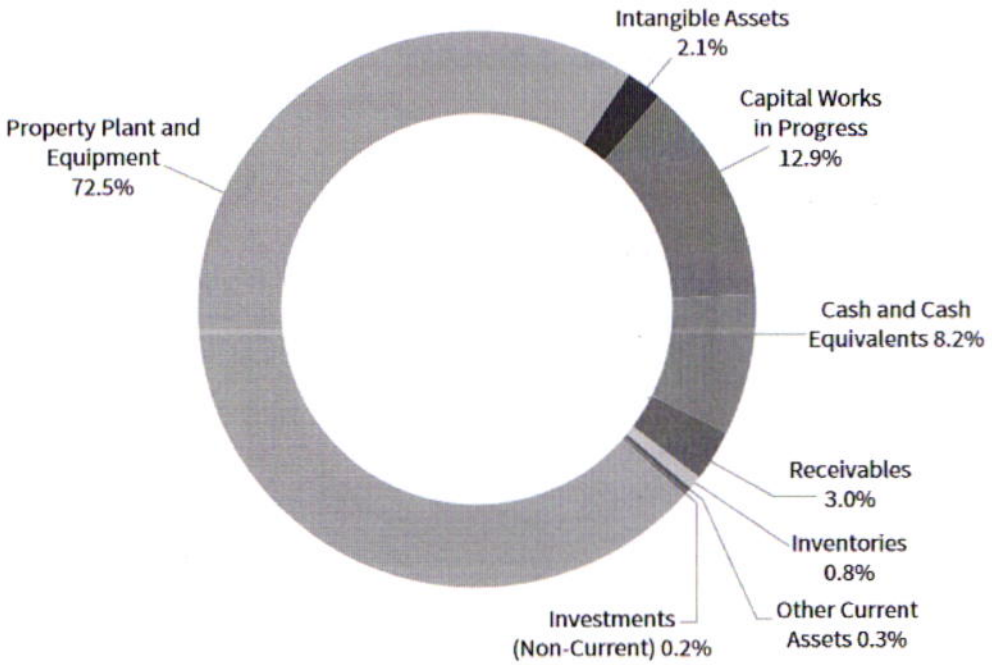
	Insignificant	Minor	Moderate	Major	Catastrophic
Information	Interruption to records / data access less than ½ day.	Interruption to records / data access ½ to 1day	Significant interruption (but not permanent loss) to data / records access, lasting 1 day to 1 week.	Complete, permanent loss of some ACT Health or Divisional records and / or data, or loss of access greater than 1 week.	Complete, permanent loss of all ACT Health or Divisional records and data.
Business Process and Systems	Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met. Inconvenient but not client welfare threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.
Reputation	Internal review.	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or ACT Auditor General's Office or inquest, etc.	Intense public, political and media scrutiny e.g. front page headlines, TV stories, etc.	Assembly inquiry or Commission of inquiry or adverse national media.
Environment Broadly defined as the surroundings in which ACT Health operates, including air, water, land, natural resources, flora, fauna, humans and their interrelation.	Some minor adverse effects to few species / ecosystem parts that are short term and immediately reversible.	Slight, quickly reversible damage to few species / ecosystem parts, animals forced to change living patterns, full, natural range of plants unable to grow, air quality creates local nuisance, water pollution exceeds background limits for short period.	Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, air quality constitutes potential long term health hazard, potential for damage to aquatic life, pollution requires physical removal, land contamination localised and can be quickly remediated.	Death of individual people / animals, large scale injury, loss of keystone species and habitat destruction, air quality 'safe haven' / evacuation decision, remediation of contaminated soil only possible by long term programme, e.g. off-site toxic release requiring assistance of emergency services.	Death of people / animals in large numbers, destruction of flora species, air quality requires evacuation, permanent and wide spread land contamination, e.g. caused by toxic release on-site; chemical, biological or radiological spillage or release on-site.

RISK MATRIX

Likelihood			Consequence →				
			Insignificant	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
↑	5	Almost Certain	Medium (11)	High (16)	High (20)	Extreme (23)	Extreme (25)
	4	Likely	Medium (7)	Medium (12)	High (17)	High (21)	Extreme (24)
	3	Possible	Low (4)	Medium (8)	Medium (13)	High (18)	Extreme (22)
	2	Unlikely	Low (2)	Medium (5)	Medium (9)	High (14)	High (19)
↑	1	Rare	Low (1)	Low (3)	Medium (6)	Medium (10)	High (15)

Appendix E ACT Health - Assets Profile

The diagram below shows total assets and proportion held by category as at 30 June 2016.



Source: ACT Health. *Annual Report 2015-16*: Page 126.

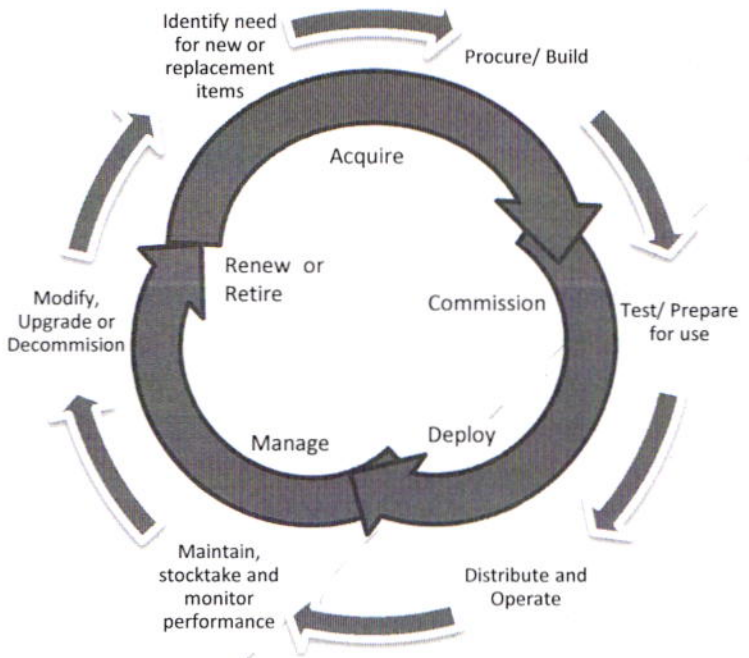
The table below is an extract from the 2015-16 Balance Sheet for ACT Health for Non-Current Assets as at 30 June 2016.

	Note No.	Actual 2016 $'000	Original Budget 2016 $'000	Actual 2015 $'000
Non-Current Assets				
Investments	26	3,019	-	3,027
Property, Plant and Equipment	27	944,756	963,999	886,129
Intangible Assets	28	28,148	40,694	22,583
Capital Works in Progress	29	168,175	205,994	131,756
Total Non-Current Assets		**1,144,098**	**1,210,687**	**1,043,495**
Total Assets		**1,303,544**	**1,316,915**	**1,188,390**

Source: ACT Health. *Annual Report 2015-16*: Page 136.

Appendix F Standard Asset Management Cycle

The diagram below illustrates a standard lifecycle for management of fixed assets.

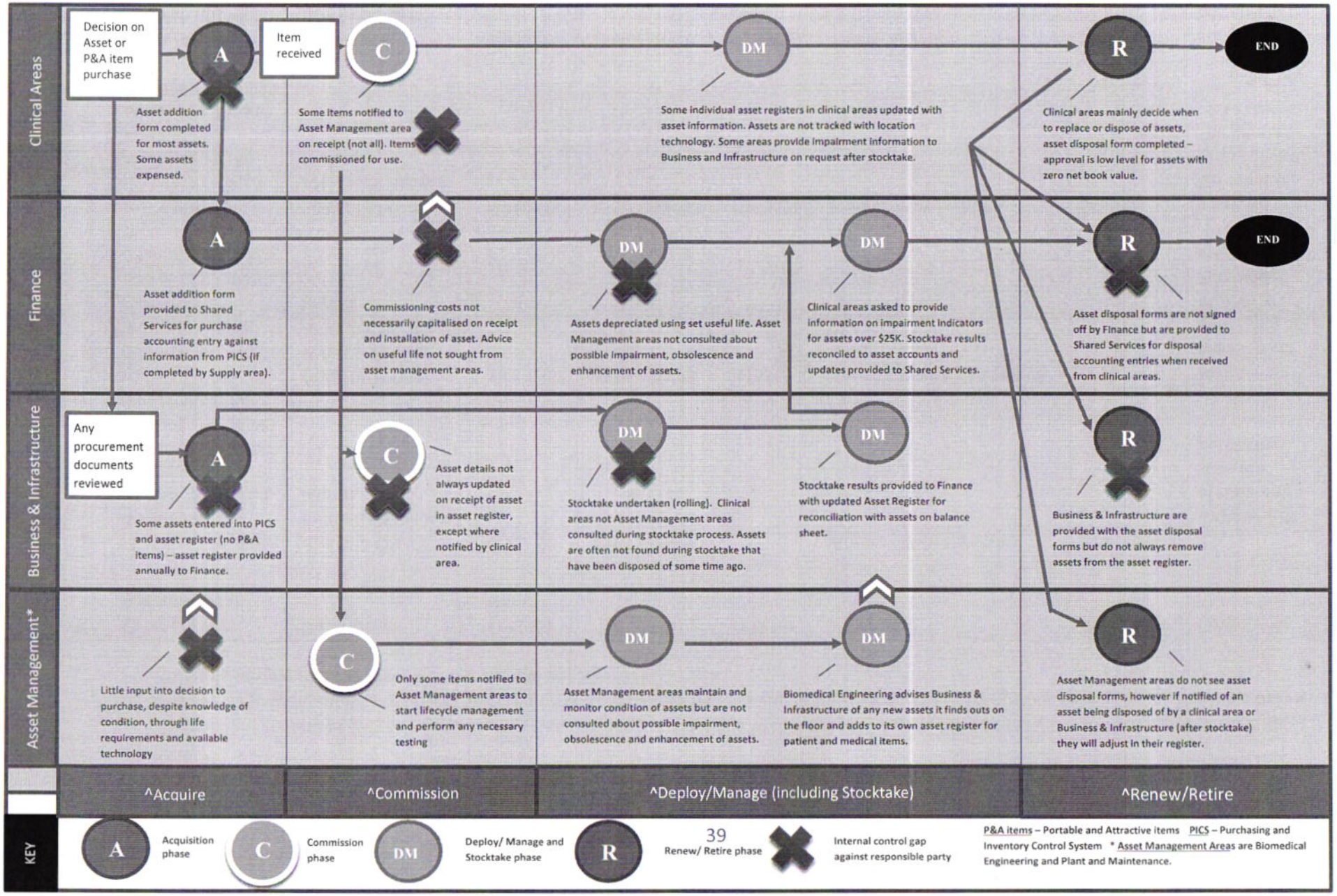


Recording Assets in Asset Register and Accounts

Acquire	Commission	Deploy/Manage	Renew/Retire
Capital and Attractive items recorded on the asset register on purchase. Additional details can be added when the assets are received and commissioned (including to start the depreciation process for capital assets). Amounts recorded also includes the residual value expected at the end of the asset's useful life (e.g. for decommissioning the asset).	Purchased assets must be recorded at original purchase price plus any costs to commission the asset (i.e. bring the asset into working order), including any acceptance testing. Accounting entries are made to expend the cost of portable and attractive items and for items over the capitalisation threshold, to account for the purchase of a depreciable asset. Assets are assigned to a class.	The costs of repairs and maintenance that do not just restore the asset's value, but enhance it, are capitalised. Any decrease in the value of the asset due to impairment or obsolescence is recorded as an expense and reduction in value of the asset. The value of the asset used during the period is depreciated - recorded as depreciation expense and accumulated depreciation against the value of the asset.	Enhancement of asset beyond current value to be capitalised. For asset to be disposed of, required reversal of accumulated depreciation and original cost of asset and recognise gain or loss on disposal. Any replacement asset is treated as a new asset – see Acquire phase.

Appendix G ACT Health Asset Management Lifecycle

The diagram below illustrates the roles and relationships and disparity between the various asset management areas in ACT Health.



Appendix H Audit Sample Analysis

Following a review of ledger accounts that may include transactions that represent assets not capitalised and recognised on the asset register, a judgemental sample was selected from the 2015-16 Repairs and Maintenance ledger for further examination. The table below lists this sample and the results of the sample analysis.

No	Category and Account detail	Description	Cost ($) Name	Batch No	PO No	Vendor	Invoice No.	Comments	Should be Capitalised ?
1	Purchase I Payables A 1069699 11796778 01-JUL-20 Account no.: 600.62321.710208.99.99999.9999.9999 INV: INV-1684 ;	AURORA OFFICE FURNITURE Journal Import	6,057.00	1516 238427		Aurora Office Furniture	INV--1684	25 whiteboards of different sizes are purchased.	No
2	Issues/Ret File: IR_Jul15.001 PICS Invent Issues/Re Account no.: 600.63134.710301.99.99999.9999.9999	CONSTRUCTION WORKS TO OLD DARKROOM Journal Import	18,302.62	1516 238923	H1536340	Cercol Construction Service	2098	Maintenance works to old dark room of Molecular Pathology area.	No
3	Issues/Ret File: IR_Jul15.001 PICS Invent Issues/Re Account no.: 600.66772.710318.99.99999.9999.9999	288 SAFETY ANALYSER Journal Import	6,418.00	15160238752	H1538285	Emona Instrument Pty	545917	Purchase of a bio-medical safety device. The per unit cost exceeds $5k.	Yes
4	Issues/Ret File: IR_Jul15.001 PICS Invent Issues/Re Account	VT MOBILE PORTABLE GAS FLOW	7,995.00	1516 238510	H1538291	Demo Technica	19576	Purchase of a portable gas flow anlyser that exceeds	Yes

No	Category and Account detail	Description	Cost ($) Name	Batch No	PO No	Vendor	Invoice No.	Comments	Should be Capitalised ?
	no.: 600.66772.710318.99.99999.9999.9999	ANALYSER Journal Import						the value of $5k.	
5	Issues/Ret File: IR_Jul15.001 PICS Invent Issues/Re Account no.: 600.66782.710318.99.28036.9999.9999	VIDEO URETER-RENOSCOPE FLEX XC SPIES KIT Journal Import	39,640.00	1516 238948	H1603183	Karl Storz	I101605	Purchase of a video uretero-renoscope; Per unit cost $19,820.	Yes
				1516 238874	H1602392	Karl Storz	I101328	Purchase of a video uretero-renoscope; Per unit cost $19,820.	Yes
6	Issues/Ret File: IR_Jul15.001 PICS Invent Issues/Re Account no.: 600.64422.710327.99.99999.9999.9999	SUPPLY AND INSTALL 1 MITSUBISHI 3.5 KW S Journal Import	8,974.00	1516 238922	H1538709	Benmax Pty	11788	Supply and installation of a split air conditioner	Yes
7	Purchase I Payables A 1107650 11916052 19-AUG-20 Account no.: 600.66731.710302.99.99999.9999.9999 INV: 00048708 ;	KAZ ELECTRONICS PTY LTD Journal Import	6,038.63	1516 239178		Kaz Electronics Pty	48708	Installation of new antenna and tv outlet – fitout asset, but out of scope for audit.	Yes

No	Category and Account detail	Description	Cost ($) Name	Batch No	PO No	Vendor	Invoice No.	Comments	Should be Capitalised ?
8	Issues/Ret File: IR_Aug15.001 PICS Invent Issues/Re Account no.: 600.66785.710318.99.22233.9999.9999	CONNECTOR FOR OLYMPUS COLONOSCOPE TO LAN Journal Import	6,231.25	1516 239224	H1605403	CR Kennedy & Co Pty	892333	Purchase of 5 connectors for Olympus Colonoscope; per unit cost $1,246.25	No
9	Issues/Ret File: IR_Oct15.001 PICS Invent Issues/Re Account no.: 600.66783.710318.99.28036.9999.9999 0	DEDICATED 7.25MM MYOSURE HYSTEROSCOPE WI Journal Import	7,500.00	1516 240431	H1611675	Hologic Australia Ltd	48842	Purchase of a MYOSURE HYSTEROSCOPE that is tissue removal system. The unit price exceeds $5k.	Yes
10	Issues/Ret File: IR_Nov15.001 PICS Invent Issues/Re 600.61727.710311.99.99999.9999.9999	UPGRADE OF BREEZESUITE 7.1 TO 8. X PLATF Journal Import	7,512.24	1516 240595	H1533346	Ascencia Ltd	10143	Upgrade of Breeze Suite is more inclined to repairs and maintenance expense.	No

Appendix I RTLS use in Health Services

The following table provides six examples of Real-time locating systems (RTLS) (asset tracking technology) used in other health services within Australia and overseas. Hospitals have been selected based on online information, including medical journals.

Health Service	RTLS used?	Product
Fiona Stanley Hospital, Perth	Yes	Agility platform
Royal Adelaide Hospital, Adelaide	Yes	Visionstream on the Imatis Fundamentum platform – integrated wireless and RFID[17] network
John Hopkins Hospital, United States	Yes	Versus infrared and RFID
Royal Wolverhampton NHS Trust's New Cross Hospital, England	Yes	Centrak RFID/Infrared technology and TeleTracking software
St Marys Hospital, Mayo Clinic emergency department, United States	Yes	3M –RFID passive track and trace technology
New York Presbyterian, Lower Manhattan Hospital, United States	Yes	STANLEY Healthcare's AeroScout Asset Management solution – Wi-Fi RTLS

[17] Radio Frequency Identification (RFID) network.

Appendix J Management Suggestions

Management suggestions represent a 'Business Process Improvement' opportunity. The suggestions may result in efficiency improvements or closer alignment with best practice, or may be examples of how the recommendations could be applied.

Asset policies and procedures
• It is suggested that asset management procedures in ACT Health could address a complete asset lifecycle (as illustrated in **Appendix F**) which is relevant to all stakeholders dealing with procurement in ACT Health This should be documented within the *Asset Management Standard Operating Procedure* and widely promulgated. In particular, consider addressing the recognition of asset commissioning and decommissioning costs, custodianship and tracking of assets within the health service (including movement between clinical areas) and accounting for all modifications to assets.
Asset approval processes
• To improve accountability, consider developing a formal escalation and accountability policy for unrecorded and lost assets.

Appendix K Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

This report has been prepared in accordance with Australian Auditing Standard on Assurance Engagements – "Framework for Assurance Engagements" and subject to the following limitations: Our procedures were designed to provide reasonable assurance as defined by the Framework for Assurance Engagements, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available to the consultant is persuasive rather than conclusive in nature.

The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Asset Management Action Plan

November 2017

Nr	Report Section	Findings	Risk Rating	Recommendations
1	3.2	Audit found that in relation to policies: a) There is no formal clear and up-to-date policy that clearly identifies which areas of ACT Health are currently accountable for recording and managing assets. b) There is no formal policy for emergency procurement of assets to streamline acquisition and ensure these assets are appropriately recorded. c) There is no clear policy for stocktake and management of portable and attractive items.	Medium	It is recommended that ACT Health update the Asset Management Director General Financial Instructions (DGFI's) to: a) Identify clear roles and responsibilities for updating asset records. b) Provide the key approval points for emergency procurement of critical items. c) Outline clearly how portable and attractive items are to be recorded and monitored. d) Reference the *Strategic Asset Management Policy for Major Equipment* as a subsidiary policy.
2	3.3	Audit found that in relation to recording assets in the asset register and systems: a) There is no complete asset register in relation to existing assets and no centralised asset management system. b) Assets are not always appropriately labelled and recorded in the asset register upon acquisition and removed on disposal. c) Purchased portable and attractive items are not recorded on the asset register. d) Asset values are not updated through-life based on reliable information. e) Reconciliations between asset addition and disposal forms, accounting records and the asset register are not being routinely completed.	High	2. It is recommended that ACT Health implement: a) A complete asset register in an appropriately controlled ICT system. b) A procedure that identifies the critical path for asset recognition, accounting and lifecycle management. c) A portable and attractive items register. d) Annual asset impairment and obsolescence reviews in conjunction with key asset maintenance areas of ACT Health. e) Routine reconciliations between asset movement forms, transaction records and the asset register.

ATTA

Nr	Report Section	Findings	Risk Rating	Recommendations
3	3.4	Audit identified in relation to approval processes that: a) There is no clearly identified segregation of duties for purchase and disposal of portable and attractive items. b) Any officer in the health system is able to approve disposal of assets deemed to have 'zero net book value'.	Medium	3. It is recommended that ACT Health: a) Implement a central procurement process that segregates purchasing from disposal activities. b) Procurement areas should receive input from asset management areas on any decision to procure assets that require testing or maintenance. c) Assign the final approval for disposal of assets with reported 'zero net book value' to Finance and the relevant Asset Management Area.
4	3.5	In relation to knowledge of asset stock, Audit found: a) There is inadequate visibility and tracking of assets and portable and attractive items. b) Stocktakes are not appropriately resourced and do not ensure all assets are complete on the asset register. c) Stocktake and asset recording processes are not well understood by staff and managers.	Medium	4. It is recommended that ACT Health: a) Consider whether implementing a passive RFID Real-time locating system could provide a viable asset tracking system without undue risk of interference to medical equipment. b) Involve personnel with strong knowledge of ACT Health assets, particularly medical equipment, in the stocktake process. c) Train clinical and other asset management area managers in the appropriate lifecycle management of assets and portable and attractive items.

Asset Management Action Plan

November 2017

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
1	It is recommended that ACT Health update the Asset Management Director General Financial Instructions (DGFI's) to: a) Identify clear roles and responsibilities for updating asset records. b) Provide the key approval points for emergency procurement of critical items. c) Outline clearly how portable and attractive items are to be recorded and monitored. d) Reference the *Strategic Asset Management Policy for Major Equipment* as a subsidiary policy.	Accepted. DGFI, policy and procedures will be updated to reflect recommendation, however, given that there is an existing policy and procedures requiring updating in place.	Executive Director, Business Support	June 2018

Action plan: The following actions have commenced-

a) DGFI, Policy and Procedures have been updated to identify clear roles and responsibilities. Documents being reviewed internally prior to consultation then proceeding to PAC.

b) Procurement policy and procedures updated. Documents being reviewed internally prior to consultation then proceeding to PAC.

c) DGFI, Policy and Procedures have been updated to include portable and attractive items with an example of a portable and attractive template and how they are to be recorded. Documents being reviewed internally prior to consultation then proceeding to PAC.

d) Actioned

Asset Management Action Plan

November 2017

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
2	It is recommended that ACT Health implement: a) A complete asset register in an appropriately controlled ICT system. b) A procedure that identifies the critical path for asset recognition, accounting and lifecycle management. c) A portable and attractive items register. d) Annual asset impairment and obsolescence reviews in conjunction with key asset maintenance areas of ACT Health. e) Routine reconciliations between asset movement forms, transaction records and the asset register.	a) Agreed – Requires project funding at DDG level b) Accepted. DGFI, policy and procedures will be updated to reflect recommendation c) Agreed – DGFI, policy and procedures will be updated to reflect recommendation, however, considered to be low risk given the lack of recording any losses of equipment in the Riskman System and lack of large quantities of equipment purchases due to loss rather than as a replacement. The main item is wheelchairs and have been deemed low risk. d) Deemed low risk based on the total asset value from a financial perspective. e) This will be discussed with the CFO. However it should be noted that this will require significant interface between BSS, Biomedical Engineering, Facilities Management & CFO with clearly defined process. Given the total asset value at 4.2% this is deemed to be a medium risk.	a) Deputy Director General Corporate b) Executive Director, Business Support c) Deputy Director General Corporate d) Chief Financial Officer e) Chief Financial Officer	June 2018
Action plan: The following actions have commenced- a) Requires project funding at DDG level. ED BSS meet with CFO. Actions to be confirmed.				

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
b) DGFI, Policy and Procedures have been updated to reflect recommendation. Documents being reviewed internally prior to consultation then proceeding to PAC. c) DGFI, Policy and Procedures have been updated to include portable and attractive items with an example of a portable and attractive template and how they are to be recorded. Documents being reviewed internally prior to consultation then proceeding to PAC. d) ED BSS meet with CFO. Actions to be confirmed. e) ED BSS to meet with CFO to discuss. Actions to be confirmed.				
3	It is recommended that ACT Health: a) Implement a central procurement process that segregates purchasing from disposal activities. b) Procurement areas should receive input from asset management areas on any decision to procure assets that require testing or maintenance. c) Assign the final approval for disposal of assets with reported 'zero net book value' to Finance and the relevant Asset Management Area.	a) Agree that process should be specified re. delegations. Business units are responsible for purchasing and Finance are responsible for disposal. b) Agreed – To be incorporated into the DGFI. Procedures defined in relation to roles and responsibilities however, inclusion of clear pathways for testing and maintenance is already developed and sign off processes included in the current policy and procedures for procurement. On this basis this is not considered to be a high risk. c) Agreed – DGFI, policy and procedures will be updated to reflect recommendation however, finance	a) Executive Director, Business Support b) Executive Director, Business Support c) Executive Director, Business Support	June 2018

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
		currently holds responsibility for the final sign off therefore the risk is not high.		
Action plan: The following actions have commenced- a) DGFI, Purchasing Policy and Procedures have been updated. Documents being reviewed internally prior to consultation then proceeding to PAC. b) DGFI, Purchasing Policy and Procedures have been updated. Documents being reviewed internally prior to consultation then proceeding to PAC. c) DGFI, Policy and Procedures have been updated to reflect recommendation. Documents being reviewed internally prior to consultation then proceeding to PAC.				
4	It is recommended that ACT Health: a) Consider whether implementing a passive RFID Real-time locating system could provide a viable asset tracking system without undue risk of interference to medical equipment. b) Involve personnel with strong knowledge of ACT Health assets, particularly medical equipment, in the stocktake process. c) Train clinical and other asset management areas in the appropriate lifecycle management	Partially agreed a) Investigate the feasibility of and RFID system to identify the benefit of such a system given the overall low cost of potential items not found. Note that ACT Health do not agree with the risk rating which should be listed as low on the basis that the loss and value of items under $5K is low and not substantiated by evidence. Assets are currently managed and areas responsible for asset management ie. Biomedical Engineering, Facilities Management and relevant clinical staff are aware of Policy and Procedures and currently participate in asset stock taking processes.	a) Chief Information Officer b), C) Executive Director, Business Support	

	Audit Recommendation	Management Comment	Responsible Officer	Estimated Completion Date
	of assets and portable and attractive items.	b) Agreed. Areas responsible for portable and attractive items registers will be accountable for reporting against stocktake of those registers. c) There is currently an e learning package for all staff involved in procurement and asset management. Policy and Procedures will outline the lifecycle management of assets. This is not considered by Health to be high risk		

Action plan: The following actions have commenced-

a) ED BSS meet with CIO. Actions to be confirmed. to discuss feasibility

b) DGFI, Policy and Procedures have been updated to identify clear roles and responsibilities. Documents being reviewed internally prior to consultation then proceeding to PAC.

c) DGFI, Policy and Procedures have been updated to include portable and attractive items with an example of a portable and attractive register and how they are to be recorded. Documents being reviewed internally prior to consultation then proceeding to PAC.

ATT 2.

ACT ACCOUNTING POLICY

ACT Government

Portable and Attractive Items

FOR REPORTING PERIODS ENDING ON OR AFTER

30 JUNE 2006

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1 Introduction

1.1 Application

1.1.1 Purpose

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

1.1.2 Relationship to International Financial Reporting Standards

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

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

1.1.3 Application Date

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

1.1.4 Agencies covered by this Policy

This policy applies to ACT directorates and Territory authorities.

1.1.5 Contact

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

2 Portable and Attractive Items

2.1 *Financial Management Act* 1996 Responsibilities

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

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

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

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

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

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

2.2 Definition

Portable and attractive items are non-consumable items that:

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

Following are examples of items often meeting this definition:

- laptop computers
- PDAs/Palm pilots
- lite-pros/projectors
- mobile phones
- cameras – digital/film/video
- label printers

- televisions
- DVD/video players
- other audio-visual equipment
- power tools
- firearms

2.3 Recognition

2.3.1 Accounting Treatment

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

2.3.2 Identification and Control

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

Portable and Attractive Thresholds

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

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

2.4 Responsibility for Monitoring and Control

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

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

2.5 Portable and Attractive Register

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

- meet the portable and attractive definition; and
- meet the portable and attractive threshold for that item; and

- are ***not*** software.

2.5.1 Register Information

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

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

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

2.5.2 When to Identify Items on the Register

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

2.5.3 When to Remove Items from the Register

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

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

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

2.5.4 InTACT items

Many agencies lease or purchase portable and attractive items through InTACT, and consequently, they do not need to be recorded on a separate agency register. However, agencies may want to include certain InTACT items on their portable and

attractive register in order to maintain physical control of those assets. For example, where an operational area holds laptop computers for shared use, it may wish to register details relating to the usage of these computers (e.g. staff name, when issued and returned, location etc).

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

2.6 Stocktakes

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

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

2.6.1 Frequency of Stocktakes

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

2.6.2 Responsibility for the Stocktake

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

2.6.3 Results of Stocktake

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

ATTACHMENT A – EXAMPLE OF PORTABLE AND ATTRACTIVE REGISTER

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

Portable and Attractive Register of Example Agency

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

Lost or Stolen Items taken off the Register

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