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DP 079

2005-11-01

MANAGEMENT AND REPORTING OF CAPITAL ASSETS

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1. BACKGROUND

Public Works and Government Services Canada (PWGSC) has custodial and managerial responsibility for a broad range of capital assets. These capital assets represent a significant economic resource and a key component to the delivery of PWGSC and government programs. They include real property, information management/information technology (IM/IT) capital assets and other capital assets such as materiel, furniture, fixtures, equipment and vehicles.

The planning, management and monitoring of this investment in capital assets are important aspects of managerial performance.

Roles and responsibilities for the planning, management and reporting of capital assets have been assigned to various organizations within PWGSC.

The government's Financial Information Strategy (FIS) initiative introduced new reporting and accounting requirements for capital assets. As of April 1, 2001, all departments are required to capitalize the costs of their capital assets at the time of acquisition, construction or development. These costs are amortized over their useful life, rather than expensed in the year of acquisition, construction or development. This information is periodically reported in the government's financial statements.

It is imperative that PWGSC has in place a sound framework for the management and accounting of its significant investment in capital assets.



2. PURPOSE

This departmental policy (DP) provides the broad policy framework for the management of capital assets within PWGSC. It must be read in conjunction with specific branch-issued policies outlined in Section 8.



3. POLICY

Public Works and Government Services Canada shall ensure, in conformance with Treasury Board(TB) policies on Real Property, Materiel Management and the Treasury Board Accounting Standard 3.1 – Capital Assets, that capital assets under its stewardship are acquired, managed, recorded and reported in a manner that economically and effectively supports the government's and the department's priorities and goals.



4. SCOPE

This DP applies to all branches, special operating agencies (SOAs) and regions of PWGSC.



5. DEFINITIONS

Amortization (*amortissement*) means the cost of capital assets is a long-term prepayment of expense. As the economic service life of the asset expires, the cost of the asset is systematically allocated to operations as an expense called amortization.

Assets (*biens*) are economic resources controlled as a result of past transactions or events and from which future economic benefits may be obtained.

Attractive items (*biens attrayants*) means departmental assets, with a unit price less than the defined threshold of \$10,000, that are particularly subject to loss, fraud or theft and for which a record must be set up for control purposes. These items are not considered to be capital assets under the terms of this departmental policy.

Betterments (*améliorations*) means costs incurred to improve the service potential of an asset; therefore, they should be included in the cost of the related capital asset. For example, the service potential may be enhanced when the physical output or service capacity is increased, operating costs are lowered, the useful life is extended, or the quality of output is improved.

Capital assets (*immobilisations*) are tangible assets that are purchased, constructed, developed or otherwise acquired and:

- a. are held for use in the production or supply of goods, the delivery of services or the production of program outputs;
- b. have a useful life extending beyond one fiscal year and are intended to be used on a continuing basis;
- c. are not intended for resale in the ordinary course of operations; and
- d. have an initial unit cost of \$10,000 or more, including costs to install or make them ready for service, except for betterments and leasehold improvements carried out on buildings and works and infrastructure, for which the threshold is set at \$25,000 or more, including costs to install or make them ready for service.

For government, capital assets have the following characteristics:

- a. beneficial ownership and control clearly rests with the government;
- b. use of asset to achieve government objectives; and
- c. risks and benefits of ownership clearly rest with the government.

Capital assets within PWGSC are composed of the following:

- a. Real property: land, buildings and works, infrastructure, and related capital leases.
- b. IM/IT capital assets: hardware (all ranges of computers, peripherals, local and wide area network equipment and telecommunications equipment), and software (application software, including administrative and business software, foundation software and software related to networks or telecommunications).
- c. Other capital assets: all other capital assets, such as materiel, furniture, fixtures, equipment and vehicles.

Capital leases (*contrats de location-acquisition*) means a lease that from the point of view of the lessor, transfers

substantially all the benefits and risks incident to ownership of the property to the lessee. A capital lease must be accounted for as though the asset had actually been purchased. A capital lease may be used to acquire real property, IM/IT or other capital assets.

Cost (*coût*) is the amount of consideration given up to acquire, construct, develop or better a capital asset, and includes all the costs directly attributable to acquisition, construction, development, or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use.

Life-cycle management (*gestion du cycle de vie*) means an effective and efficient management system that requires the disciplined management of assets through all phases of its life. The life-cycle phases normally include: assessing and planning requirements; acquiring; operating, using and maintaining; and disposing and replacing.

Useful life (*vie utile*) means the estimate of the period of time over which a capital asset or component thereof is expected to be used by the government.



6. REQUIREMENTS

To fulfil the requirements of this DP, PWGSC shall carry out the following activities:

1. Strategic Planning

Plan, within the context of the department's Expenditure Management System (EMS), its investment in capital assets to ensure that:

1. it holds only capital assets which support program purposes;
2. decisions, regarding the planning, development, acquisition, construction, improvement, employment and disposal of capital assets, are made in a disciplined, planned, business-like manner that responds to and supports client and program needs.

2. Life-Cycle Management

Manage its capital assets to maximize long-term benefit of the government, to honour environmental objectives and to provide safe and adequate facilities and tools for employees.

Ensure that the department's capital assets are managed to achieve value for money and on a basis consistent with a life-cycle approach which requires the disciplined management of assets through all phases of their life. Capital assets must be acquired, operated, used, maintained, safeguarded, disposed and replaced in a way that economically supports the department's operational and program requirements.

3. Reporting

Ensure that the performance, budgeting and financial information relating to capital assets is readily available to meet the following reporting requirements:

1. Performance: ensure that the department periodically reports on the performance of its investment in capital assets through the use of performance indicators.
2. Budgeting: ensure that the information is available to support the department's EMS. The EMS includes documents such as the departmental Report on Plans and Priorities (RPP), Performance Reports, Estimates and the Annual Reference Level Updates (ARLU).
3. Financial: ensure that the department is able to periodically report both the original cost of its capital assets and the related accumulated amortization in accordance with Treasury Board Accounting Standard 3.1. To achieve this requirement the department must:
 1. record the costs of capital assets, including capital leases, with an initial cost of \$10,000 or more, at the time of acquisition, construction or development, including costs to install or make them ready for service, except for betterments and leasehold improvements carried out on buildings and works and infrastructure, for which the threshold is set at \$25,000 or more, including costs to install or make them ready for service;
 2. provide an estimate of the useful life of the capital asset that is linked with expiration of its economic benefits;
 3. implement a rational, consistent and systematic amortization methodology for capital assets that is

- appropriate to the nature of the capital asset and to operational needs;
- 4. record all disposals and write-downs of capital assets.
- 4. Systems Requirements: ensure that the department's capital assets are recorded and tracked in appropriate information systems designated in Section 7, that provide the information necessary for meeting performance, budgeting and financial reporting needs.



7. ROLES AND RESPONSIBILITIES

1. All organizations within PWGSC are responsible for managing the capital assets under their control in accordance with the requirements of this DP. As well as their implementation responsibilities, several organizations also have functional responsibilities that contribute to the effective management of capital assets within PWGSC.
2. In addition to specific responsibilities detailed below, Branch or Special Operating Agency (SOA) Heads are also responsible for the following:
 1. ensuring that there is a consultation process in place whereby all stakeholders have the opportunity to review and comment on the supporting policies of this DP that are initiated and approved by the individual functional branches/SOAs;
 2. ensuring that supporting policies are in conformance with the requirements of this DP and ensuring that any issues concerning changes to or interpretations of this DP are satisfactorily resolved.
3. The Advisory Committee on Capital Assets will support the Branch/SOA Heads in the fulfilment of these responsibilities. The mandate of this departmental committee is to develop and maintain a corporate asset management policy for PWGSC, as a foundation for all capital assets related policy development, as well as provide direction to assets managers across the department. All branches and agencies are represented on the Advisory Committee.
4. The Assistant Deputy Minister (ADM), Real Property Branch, is accountable for the management of federal real property and is responsible for the following:
 1. planning for and managing the department's portfolio of office buildings and other federal real property holdings in accordance with the terms of the relevant Treasury Board policies and guidelines;
 2. developing detailed internal policies and guidelines; providing the training required to aid employees in carrying out their management functions; and help to demonstrate the department's commitment to meeting the government's goals and objectives regarding real property;
 3. providing performance, budgeting and financial information to managers and functional authorities as required;
 4. maintaining an appropriate real property system that records all real property in a manner that provides the information needed for both operational and other reporting requirements.
5. The Executive Director, Information Technology Services Branch, is accountable for providing IM/IT support services to PWGSC and is responsible for the following:
 1. planning for and managing all corporate IM/IT infrastructure capital assets to provide an information utility service on behalf of the department. Corporate infrastructure IM/IT capital assets include all hardware capital assets, beyond the workstation, and all corporate application software and foundation software, regardless of ownership or location on or off the workstation;
 2. preparing annual management plans for the corporate IM/IT infrastructure, including operation, maintenance, recapitalization and investment, in consultation with Branches, Regions and SOAs;
 3. providing department-specific standards, policies and guidance to SOAs, Regions and Branch responsibility centre managers regarding the management (life-cycle approach) of the IM/IT assets under their stewardship;
 4. maintaining appropriate support systems for managing all IM/IT capital assets. The systems must meet the information needs for operations and those defined by other functional authorities.
6. The ADM, Corporate Services, Human Resources and Communications Branch, is accountable for the materiel management function within PWGSC and is responsible for the following:
 1. developing a framework of department-specific policies and guidelines and providing the training to help SOAs, Regions and Branch responsibility centre managers plan and manage (life-cycle approach) capital assets, other than those defined as real property, in accordance with TB's [Materiel Management Policy](#);
 2. developing policies, instructions, information requirements and systems alternatives for the control and monitoring of attractive items;

3. monitoring the department's materiel management performance;
 4. defining the information requirements for the successful management of the department's capital assets, other than those defined as real property;
 5. maintaining an appropriate system that can record all capital assets, other than those defined as real property, in a manner that provides the information needed for both operational and other reporting requirements.
7. The ADM, Finance Branch, as Senior Financial Officer, is responsible for the following:
1. maintaining a framework of financial standards and policies for the recording and reporting of capital assets in accordance with Treasury Board requirements for accrual accounting;
 2. providing the training and guidance necessary for responsibility centre managers to understand and comply with the government's accrual accounting requirements;
 3. defining the information required from Branches, Regions and SOAs to meet budgeting, accounting and financial reporting requirements;
 4. maintaining the department's financial management system.
8. Heads of Special Operating Agencies are responsible for ensuring that the capital assets under their stewardship are planned, managed, safeguarded, recorded and reported in accordance with the principles outlined in this DP and related PWGSC internal policies and guidelines.
9. Regional Directors General are responsible for the following:
1. assessing and advising on the implications within their regions of this DP on capital assets and the related policies and guidelines issued by other functional authorities;
 2. ensuring that capital assets under their stewardship are managed, recorded and reported in accordance with this DP and related PWGSC internal policies and guidelines as applicable.
10. Responsibility Centre (RC) Managers are responsible for the following:
1. managing, recording and reporting on the capital assets under their stewardship in accordance with this DP and related PWGSC internal policies and guidelines as applicable;
 2. keeping capital assets in good working order by planning, budgeting for, and scheduling asset inspection, testing and maintenance;
 3. ensuring that capital assets are safeguarded against damage, loss, theft and misappropriation.



8. FUNCTIONAL POLICIES AND GUIDELINES

Detailed procedures and the allocation of specific roles and responsibilities can be found in the policies and guidelines issued by the following functional authorities (see Section 10):

- Real Property Assets - Real Property Branch
- IM/IT Assets - Information Technology Services Branch
- All Other Capital Assets - Corporate Services, Human Resources and Communications Branch
- Financial Reporting Requirements - Finance Branch



9. MONITORING

The effectiveness of this DP and of the department in managing and reporting its investment in capital assets will be subject to periodic review by the departmental Audit and Evaluation Branch.



10. REFERENCES

Canadian Institute of Chartered Accountants:

- Public Sector Accounting Handbook - Section 3150 – Tangible Capital Assets.

Treasury Board Publications:

- [*Materiel Management Policy*](#);
- [*Motor Vehicle Policy*](#);
- [*Real Property Policies*](#);
- [*Treasury Board Accounting Standard 3.1 – Capital Assets*](#).

PWGSC Publications:

- Corporate Services, Human Resources and Communications Branch:
 - DP 071 - [*PWGSC Motor Vehicle Fleet Management*](#).
- Governance Framework;
- Information Technology Services Branch:
 - [*IM/IT Asset Management – Draft*](#).
- [*Real Property Branch OAS Manuals, Volume 3*](#):
 - *Asset Management Policy*;
 - *Asset Performance Monitoring Policy*;
 - Capital Project Priority Ranking;
 - Community Based Investment Strategies;
 - *Investment Analysis Policy*;
 - Investment Management Board – Terms of Reference;
 - National Investment Strategy.



11. CANCELTATION.

This DP cancels DP 079 dated 2000-11-06.



12. INQUIRIES

Real Property Assets:

Director General, Accommodation and Portfolio Management
Real Property Branch
Telephone: (819) 956-6304
Facsimile: (819) 956-6289

IM/IT Assets:

Director, Asset Management
Information Technology Services Branch
Telephone: (819) 956-1762
Facsimile: (819) 956-6476

Other Capital Assets:

Director, Materiel Management
Corporate Services, Human Resources and Communications Branch
Telephone: (819) 956-3171
Facsimile: (819) 956-9846

Financial Reporting Requirements:

Director, Policies and Procedures Directorate
Financial Operations
Finance Branch
Telephone: (819) 956-1258

Facsimile: (819) 956-1926

**Original Signed by
Yvette Aloïsi**

I. David Marshall
Deputy Minister and
Deputy Receiver General for Canada

