

## Request for Assets Write Off

**Topic:** Approval is being requested to write off identified assets that are no longer in use.

**Analysis:** The May 2019 Fixed Assets Register and the Work in Progress listing have been reviewed. This review identified \$10.5 million of fixed assets and \$5.1 million of Work in Progress that are no longer in use. Approval is requested to write these off in June 2019.

### Recommendations

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1. Approve the write offs in June 2019 for \$10.5 million of fixed assets and \$5.1 million of Work in Progress, as identified below, in line with delegation 4.7.2 of the Service NSW Delegations Manual.

### Key reasons

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The Finance team reviewed the carrying value of assets as part of the 30 June 2019 year end process and financial statement preparation. This review was conducted in accordance with relevant Accounting Standards including AASB136 *Impairment of Assets*. A key component of this review was to engage the subject matter experts from the Digital and Product team to review the Fixed Assets Register and Work in Progress listing in order to identify which assets/capabilities were still being used and which assets/capabilities have been superseded or were not being used.

This review identified assets that are no longer in use and should be written off, being:

- The Payments Platform is currently being completely rebuilt. Chris Fechner (Executive Director Service Delivery Digital and Middle Office) has advised that the new platform is a different solution technically. This has resulted in the Payments Platform costs in the Fixed Assets Register, up to December 2017, of \$4.1 million not having any future economic benefit;
- \$1.6 million of costs associated with version 1.0 of MyAccount, representing costs incurred up to February 2017, and \$4.8 million of costs associated with version 2.0 of MyAccount, representing costs incurred from March 2017 (excluding costs for version 3.0). The Digital and Product team is rebuilding MyAccount version 3.0 onto the Pivotal Foundry platform. When version 3.0 goes live in late July/early August 2019, Service NSW will completely move off the existing platform. This will render the costs for MyAccount versions 1.0 and 2.0 without any future economic benefit.
- Scale Project – CED Program of Work. Chris Fechner has confirmed that this program of work is no longer in use;
- Payroll Rostering System (Kronos) – DFSI were engaged earlier this financial year to integrate Kronos into SAPConnect. The DFSI project team confirmed they have utilised 20% of the design/details Service NSW had done, leaving 80% that will not be used (the proposed write off is 80% of the Work in Progress balance of \$5.0 million, where the remaining 20% amount will be capitalised as an intangible asset).

The Service NSW Delegations Manual permits the CEO to write off individual non-current assets up to \$5 million (delegation 4.7.2). All of the identified assets have unique asset numbers within SAP and all of these are under the \$5 million delegation limit.



## Supporting analysis

### Financial impact

The proposed write offs are non-cash items and will increase operating expenses as well as reduce the carrying value of assets in the financial statements for the year ended 30 June 2019 (FY18/19).

The financial impact in FY18/19 will be to reduce fixed assets by \$10.5 million, reduce work in progress by \$5.1 million and increase operating expenses by \$15.6 million:

#### Payments Gateway costs

Asset	Asset description	Asset description 2	Capitalisation date	Cost \$	Accumulated Depreciation \$	Written Down Value \$
211821	Payments Gateway	Payments Gateway	1/01/2017	106,853.78	(46,388.72)	60,465.06
211822	Payments Gateway	Payments Gateway	1/01/2017	17,748.69	(7,686.54)	10,062.15
211824	Payments Gateway	Payments Gateway	1/01/2017	16,979.71	(7,357.88)	9,621.83
211825	Payments Gateway	Payments Gateway	1/01/2017	61,943.47	(23,701.89)	38,241.58
211827	Payments Gateway	Payments Gateway	1/04/2017	491,639.24	(191,813.79)	299,825.45
211828	Payments Gateway	Payments Gateway	1/04/2017	9,551.16	(3,726.40)	5,824.76
211829	Payments Gateway	Payments Gateway	1/04/2017	471,793.49	(184,070.95)	287,722.54
211831	Payments Gateway	Payments Gateway	1/04/2017	2,552.81	(995.98)	1,556.83
212452	Payments Gateway	Add Details in Jun17 Cap File	1/06/2017	754,520.89	(273,962.94)	480,557.95
212453	Payments Gateway	Add Details in Jun17 Cap File	1/06/2017	14,658.22	(5,322.33)	9,335.89
212454	Payments Gateway	Add Details in Jun17 Cap File	1/06/2017	789,377.07	(286,619.06)	502,758.01
212455	Payments Gateway	Add Details in Jun17 Cap File	1/06/2017	1,968,552.63	(714,772.09)	1,253,780.54
212717	Payments Gateway	Details in Dec 17 Cap File	1/07/2017	1,061,101.29	(371,385.45)	689,715.84
212722	Payments Gateway	PSP2 Core Enhancements Testing	1/07/2017	93,199.00	(32,619.65)	60,579.35
213074	Payments Gateway	Project costs June May 2018	1/07/2017	78,104.05	(27,336.42)	50,767.63
213075	Payments Gateway	Project costs June May 2018	1/07/2017	545,837.02	(191,042.96)	354,794.06
	<b>TOTAL</b>			<b>6,484,412.52</b>	<b>-2,368,803.05</b>	<b>4,115,609.47</b>

#### MyService version 1.0 costs

Asset	Asset description	Asset description 2	Capitalisation date	Cost \$	Accumulated Depreciation \$	Written Down Value \$
211226	Digital-MyService NSW	Various PO Various INV	1/04/2016	1,203,218.37	(715,152.91)	488,065.46
211473	Digital-MyService NSW	Resources	1/07/2016	1,020,142.52	(544,076.01)	476,066.51
211514	MyServiceNSW	Resources Cap Feb 17	1/07/2016	46,439.26	(24,767.61)	21,671.65
211515	MyServiceNSW	Resources Cap Feb 17 PO 45375717	1/07/2016	78,056.72	(41,630.25)	36,426.47
211516	MyServiceNSW	Doc No 40004317 PO 45374484	1/07/2016	15,675.00	(8,360.00)	7,315.00
211518	MyServiceNSW	PO 45364951& Doc 40004765	1/07/2016	18,786.38	(10,019.41)	8,766.97
211692	MyService NSW	PO 45377708	31/12/2016	462,000.00	(207,236.21)	254,763.79
211696	MyService NSW	PO 45377684	31/12/2016	90,000.00	(40,370.69)	49,629.31
211700	MyService NSW	PO 45377410	31/12/2016	49,565.00	(22,233.03)	27,331.97
211704	MyService NSW	PO 45377685	31/12/2016	38,000.00	(17,045.40)	20,954.60
211711	MyService NSW	PO 45377902	31/12/2016	175,000.00	(78,498.56)	96,501.44
211712	MyService NSW	PO 45378591	31/12/2016	157,788.00	(70,777.89)	87,010.11
	<b>TOTAL</b>			<b>3,354,671.25</b>	<b>(1,780,167.97)</b>	<b>1,574,503.28</b>

#### MyService version 2.0 costs

Asset	Asset description	Asset description 2	Capitalisation date	Cost \$	Accumulated Depreciation \$	Written Down Value \$
212585	My Service NSW	July 17 Capitalisation File	1/07/2017	6,360,536.07	(2,226,187.63)	4,134,348.44
212617	My Service NSW	August 17 Capitalisation File	1/07/2017	143,659.93	(50,280.97)	93,378.96
212663	My Service NSW	Capitalisation File - September 2017	1/07/2017	148,344.38	(51,920.53)	96,423.85
212667	SR Capability Build - My Service NSW		1/07/2017	389,817.89	(136,436.26)	253,381.63
212671	SR Capability Build - My Service NSW		1/07/2017	91,117.00	(31,890.95)	59,226.05
212675	SR Capability Build - My Service NSW		1/07/2017	223,358.99	(78,175.65)	145,183.34
	<b>TOTAL</b>			<b>7,356,834.26</b>	<b>(2,574,891.99)</b>	<b>4,781,942.27</b>

#### Work in Progress Costs – CED Program of Works and Kronos

Asset Description	Asset Number	WBS Code	\$
Scale Project – CED Program of Works	172148	400-0008-13-02	1,133,017.22
Scale Project – Payroll Rostering System (Kronos)	171648	400-0008-11-01	3,984,506.39
<b>TOTAL</b>			<b>5,117,523.61</b>



## Options

Option		Analysis
1	Write off the identified assets.	These changes are non-cash and more accurately reflect the carrying value of assets in the FY18/19 financial statements.
2	Do nothing.	This would overstate assets by \$15.6 million and is likely to be reported as an audit difference to the Audit & Risk Committee by the Audit Office of NSW.

## Recommendations

1. Approve the write offs in June 2019 for \$10.5 million of fixed assets and \$5.1 million of Work in Progress, as identified above, in line with delegation 4.7.2 of the Service NSW Delegations Manual.

## Approvals

Approver	Approval and Date Approved
Chris Fechner, Executive Director Service Delivery Digital and Middle Office	Via email
Matt Conrow, Chief Financial Officer	 19/7/19.
Stephen Brady, Acting Chief Executive Officer	 18/7/19

