



**GOVERNMENT OF SIERRA LEONE**  
**MINISTRY OF FINANCE**

**Policy, regulatory and operational framework for  
National Fixed Assets Management**

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**FINAL**



## National Capital Asset Management Policy Framework

Disclaimer: The views and opinions expressed in this document are those of the consultants and do not necessarily reflect those of the European Union

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## 1. CHAPTER 1: ABBREVIATIONS & ACRONYMS

ACC	Anti-Corruption Commission
AGD	Accountant General's Department
EU	European Union
FAR	Fixed Asset Register
GOSL	Government of Sierra Leone
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MDA's	Ministries, Department and Agencies
MFAIC	Ministry of Foreign Affairs and International Cooperation
MLGRD	Ministry of Local Government and Rural Development
MOD	Ministry of Defence
MOF	Ministry of Finance
MOHS	Ministry of Health and Sanitation
MOJ	Ministry of Justice
MTA	Ministry of Transport and Aviation
MWPA	Ministry of Works and Public Assets
NAGPC	National Assets and Government Property Commission
NPPA	National Public Procurement Authority
PFMA	Public Financial Management Act, 2016
PFMA	Public Financial Management Act
PFMR	Public Financial Management Regulations, 2018
PPR	Public Procurement Regulations, 2020
SCOA	Standard Chart of Accounts

## 2. CHAPTER 2: DEFINITIONS

For the purposes of this policy framework, the word and terminology used below have the following meaning:

**“Accountable”** means, the requirement to record, report, explain and justify actions, as the case may be, to a superior officer, to Parliament or to the public

**“Commitment”** means an explicit or implicit but legally enforceable contract or agreement to make payments to another party in exchange for that party supplying goods or service or fulfilling other obligation, and includes, but is not limited to, –(

- (a) agreements to make payments in exchange for supply of specific goods or service; and
- (b) agreements of a continuing nature, which require a series of payments over an indeterminate period of time;

**“Entity”** includes any fund, office, body, organization, institution, group of persons, pool of assets, and person, regardless of whether it has legal personality or not;

**“Financial year”** means a period of twelve months starting on 1st January in one year and ending on 31st December of the same year;

**“Government”** means the Government of Sierra Leone;

**“Head of a budgetary agency”** means –

- (a) Minister heading the budgetary agency; or
- (b) a person heading the budgetary agency, if no Minister is heading the budgetary agency;

**“Responsible authority”** means, –

- (a) in respect of a sub-vented agency, other entity in the central government, or social security fund, –
  - a. a Minister who has the responsibilities under the entity’s Act in relation to the operations of the agency, entity, or fund; or
  - b. if subparagraph (a) does not apply, a Minister who is responsible for the administration of the entity’s Act; and
- (b) in respect of a public enterprise, –
  - a. the National Commission for Privatisation, if the public enterprise is mentioned in First Schedule of the National Commission for Privatisation Act, 2002; or
  - b. a Minister who has the responsibilities in relation to the operations of the public enterprise, if otherwise;

**“Government Property”** includes real and any interest therein, choses in action, stocks, shares and debentures, vehicles, machinery, equipment, furniture or other immovable or moveable property belonging to the Government, or provided for the use of any Government establishment, Service Department.

**“National Assets”** includes all real estates or any interest therein, or hereditaments belonging to the Government or provided for use of any Government establishment, service or Department.

**“Master Register”** means the register established under paragraph (a) of subsection (1) of section 5 of the National Assets and Government’s Property Commission Act, 1990

**“Corruption”** means an act which constitutes an offence under Part IV of the Anti-Corruption Act, 2008

**“Procuring entity”** means any organ of the State or regional and local authorities as well as statutory bodies, public sector corporations which are majority owned by the Government, public utilities sing revenue collected by the sale of public services, as well as any other natural or legal person to whom public funds have been allocated for use in public procurement;

**“vote controller”** means Permanent Secretary of a Government Ministry, Chief Administrator of a local council, Managing Director or a General Manager, Executive Director or other head of a State-owned enterprise, or head of a Government department, agency or commission;

**“works”** means all works associated with the construction, reconstruction, demolition, repair or renovation of a building, structure or works, such as site preparation, excavation, erection, building, installation of equipment or materials, decoration and finishing, as well as services incidental to construction such as drilling, mapping, satellite photography, seismic investigations and similar services provided pursuant to the contract, if the value of those services does not exceed that of the construction itself.

**“Asset Manager”** means an official delegated the responsibility to manage capital assets within a government entity in alignment with the provisions of this policy.

**“Carrying amount”** is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

**“Depreciation”** is the systematic allocation of the depreciable amount of an asset over its useful life.

**“Asset register”** is a database of information on each asset that supports the effective financial and technical management of the assets, and allows for the meeting of statutory requirements and informs proper financial reporting.

### 3. CHAPTER 3: INTRODUCTION

#### 3.1. CONTEXT

In terms of the Sierra Leone Public Finance Management Reform Strategy (PFMRS), the government holds a range of physical public assets, including office equipment, vehicles, land and buildings. It is critical that these assets are well secured, managed, maintained and used to promote national objectives. The PFMRS acknowledges that asset reporting and management levels are currently low and that public accountability with respect to capital asset management needs to be urgently enhanced.

In 1990 the government of Sierra Leone promulgated the National Assets and Government Property Commission Act. This legislation established the National Assets and Government Property Commission which was mandated to maintain a national asset register, take custody, allocate and report on the use of all government capital assets. The commission is further mandated to review and update the national assets register, and monitor and report on the status of these assets.

Whilst work has commenced to develop and implement suitable capital asset management frameworks, policies, procedures and protocols, these activities needed to be revisited, strengthened and brought to completion. To this end the NAGPC, with the assistance of the European Union, has made an important step by developing this Capital Asset Policy Framework.

#### 3.2. OBJECTIVE

This policy is structured to provide direction to all government entities in the implementation of improved capital asset management practices. The policy intends to achieve this by clarifying the various responsibilities and procedures required by those charged with the responsibility of managing government property. The policy also intends to provide clarity regarding which state entities are responsible for managing and reporting on government property and further clarify which government property needs to be reported on.

The policy further hopes to convey what are regarded as appropriate and best practice asset management principles which every public officer and citizen should embrace when dealing with government property. It is hoped that an improved asset management policy framework will provide a number of benefits.

These may include but are not limited to:

- (a) Better reporting on the quantity and quality of government property
- (b) Better asset information for decision making purposes
- (c) Improved efficiency in capital spending
- (d) Better deployment and use of capital assets
- (e) Reduced government property abuse, misuse or misappropriation
- (f) Reduced losses
- (g) Improved processes to identify and prosecute fraud and corruption

### 3.3. PRINCIPLES

The principles that guide this policy are in accordance with the Constitution of the Republic of Sierra Leone. Consistent application of these principles will result in improved governance in capital asset management practices across all state entities. Good governance plays a critical role in ensuring that processes are compliant with prevailing legislation, appropriate, fair, defensible and effective.

The key principles of the asset management policy are as follows:

- (a) **Professionalism and integrity:** Asset management responsibilities and functions shall be managed by professionals with appropriate qualifications in asset management or finance. Asset management officials shall conduct themselves in accordance to the Public Officer Ethics and any other relevant laws.
- (b) **Service delivery needs are to guide asset practices and decisions:** Asset managers must be fully aware of all strategic goals and service delivery needs before being able to guide an entity in making sound asset management decisions.
- (c) **Asset planning and management are to be integrated with strategic business plans, budgetary and reporting processes:** Once asset managers have extracted information from various department/section managers concerning their asset requirements, based on their service delivery needs, the asset manager will then consolidate this information into a strategic asset acquisition, operation and maintenance and disposal plan. This planning must be integrated with MDA budget planning processes.
- (d) **Maximization of value for money:** All government entities are expected to conduct their operations as required to achieve economy, efficiency, effectiveness and equity in their management of state assets.
- (e) **Compliance and conformity:** Public entities shall comply and conform to all applicable laws, regulations, policies and guidelines that relate to the management of state assets.
- (f) **Transparency and Accountability:** Public entities shall conduct their affairs in an open, fair, transparent and accountable manner when carrying out their duties relating to management of state assets.
- (g) **Prudent planning:** All asset management decisions shall be made on the basis of sound and comprehensive planning. This will include consistent evaluations of asset portfolios, application of cost-versus-benefit and value-for-money principles, and the management of the capital budgets to ensure economy and efficiency.
- (h) **Ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented:** Asset managers are responsible for ensuring that all assets in the government entity can be accounted for. Where assets are unaccounted for, asset managers will ensure that the losses are investigated and custodians are held accountable.

- (i) **Regular Reporting:** Public entities shall comply with all legislated reporting requirements relating to state assets which shall include providing valid, accurate and complete asset data.

#### 4. CHAPTER 4: LEGAL FRAMEWORK

##### ***Public Finance Management Act, 2016:***

- i. **Section 13 (1):** The vote controller of a budgetary agency shall be responsible for prudent, effective, efficient and transparent use of the resources of the budgetary agency.
- ii. **Section 13(2) (g):** The vote controller of a budgetary agency shall safeguard and manage assets and public money under the responsibilities of the budgetary agency.
- iii. **Section 20(1):** Any person, institution or agency responsible for or engaged in the management of public funds shall be guided by the principles of responsible financial management in order to ensure a prudent, efficient, effective and transparent use of public funds.

##### ***Public Finance Management Regulations, 2018:***

- i. **Section 15(3) (d):** MDA's to produce an annual procurement plan which includes details of capital expenditure. Policy on acquisitions to accommodate and align to this procedural requirement (asset planning)
- ii. **Section 153(2):** National assets include all assets owned by the state or to which the state is entitled and assets which are not privately owned.
- iii. **Section 155(2):** Holding entity is identified by (i) Act or regulation (ii) Use or occupation of the assets for operational service delivery.
- iv. **Section 156(1):** When the holding entity cannot be determined the NAGPC will act as holding entity and then allocate such asset to relevant entity within 6 months.
- v. **Section 157(1):** After acquiring a new asset, the vote controller of an entity must report the same to the NAGPC within 10 days. The NAGPC must register the asset with the relevant authority, record the assets on the National Asset Register and report the assets to the Accountant General for reporting purposes.
- vi. **Section 159(3) (a):** Fixed assets to be valued at historical cost. Donated assets valued at fair value.
- vii. **Section 160:** NAGPC to develop and maintain a National Asset Register and report on it annually to the minister.
- viii. **Section 161(1):** All budgetary or sub-vented agencies shall ensure that the national assets are properly maintained and used with due care and diligence for the best interest of the public or the State.

- ix. **Section 162(1):** Vote controllers to review their asset conditions annually and prepare a maintenance plan which in turn will support the maintenance expenditure recorded in their budget application.
- x. **Section 163(1):** NAGPC has right to inspect any state assets with or without prior notification.
- xi. **Section 163(4):** with approval of cabinet, NAGPC can confiscate assets that are not been maintained or managed properly. This will be recorded as a loss to the budgetary entity and gain to the NAGPC.
- xii. **Section 164:** Defines asset management as including acquisition, leasing, selling, pledging, disposing or writing off assets. All of these require the approval of the minister (co-sign with budget controller).
- xiii. **Section 164 (10):** Specifies public auction for the disposal of qualifying obsolete or surplus state assets. Open, competitive process required.
- xiv. **Section 165(1):** Ministers approval for capital acquisitions is when the minister approves the budget submission supported by the procurement plan.
- xv. **Section 165(3):** Specifies that only the minister can be lessee of a finance lease. If finance leases are required, minister must approve and all relevant contract terms and conditions must be furnished to the minister with the requisition. Entity must ensure ownership is properly transferred when term of the finance lease is complete.
- xvi. **Section 169(1):** Disposal of assets only allowed when they are not or will not be used by any budgetary agency or when the benefit from selling the asset outweighs the benefit of keeping the asset (taking into account the future economic benefit and the appreciation value of the asset).
- xvii. **Section 169(3):** Disposal must be by way of a competitive process, public auction etc.
- xviii. **Section 170(1):** Losses or property damage to be reported to NAGPC with all details including values, impairments, etc.
- xix. **Section 171(1):** Vote controller to maintain all documents relating to its National Assets for review by the Auditor General.
- xx. **Section 171(2):** Internal Audit is required to annually audit the state assets three months after year end. Report to AG and to NAGPC.
- xxi. **Section 171(4):** Land, building and structures to be valued every two years or immediately is there is reason to think they are impaired or if they want to dispose of them.

- xxii. **Section 171(7):** Vote controller required to report on its assets annually including information relating to depreciation or appreciation values.

***National Assets and Government's Property Commission Statutory Act, 2 of 1990:***

- i. **Section 5(1)a:** The Commission shall establish and maintain a national register of all national assets and government's property to be known as the Master Register which shall contain a list of all national assets.
- ii. **Section 5(1) (b):** serve as the custodian of the Master Register.
- iii. **Section 5(1) (c):** report on the allocation and use of various assets.
- iv. **Section 5(1) (d):** Review and revise the Master Register of national assets as and when necessary in collaboration with the relevant Ministries or Departments.
- v. **Section 5(1) (e):** Monitor and report on the state of various national assets and Government's property to the President together with appropriate recommendations.
- vi. **Section 5(2):** The Commission shall be informed of the acquisition and holding of any assets or government's property by the agency or Government department concerned.
- vii. **Section 5(3):** No disposal of any national asset or Government property shall take place without prior consultation with the Commission.

***The Public Procurement Act, 2016:***

- i. **Section VIII (66) (a):** the head of a procuring entity shall convene a Board of Survey comprising representatives of departments with unserviceable, obsolete or surplus stores, plant, equipment and vehicles which shall report on the items and, subject to a technical report on them, recommend the best method of disposal after the officer in charge has completed a Board of Survey form.

***The Anti-Corruption Act, 2008:***

- i. **Section 36(1):** A person who misappropriates publication of public revenue, public funds or property commits an offence.
- ii. **Section 36 (2):** A person misappropriates public revenue, public funds or property if he wilfully commits an act, whether by himself, with or through another person, by which a public body is deprived of any revenue, funds or other financial interest or property belonging or due to that public body.
- iii. **Section 48(1) (c):** anyone who wilfully damages government property commits and offense.

- iv. **Section 49(1):** A person who deals with property where he believes or has reason to believe was acquired in the course of or as a result of corruption or corrupt conduct commits an offense.

***Local Government Act, 2004:***

- i. **Section 31(4) (a):** Local Council Chief Administrator is responsible for financial and other resource management.
- ii. **Section 105:** Every council required to maintain an inventory of the assets of the council on an annual basis and submit the same to the ministry.
- iii. **Section 107(1) (c):** Local Council must post a listing of their inventory of assets on their notice board annually for 21 days.

***Public Procurement Regulations, 2020:***

**i. PARTXIII – DISPOSAL OF STORES AND EQUIPMENT:**

**Section 167:** (1) These regulations shall cover the identification, aggregation and disposal of stores and equipment of a procuring entity subject to Part VII of the Act, including– (a) surplus to requirements; (b) obsolete; damaged; (c) worn out and beyond economic repair; and (d) to be scrapped.

**Section 167:** (2) The disposal of land, and sales of samples to bidders, textbooks, publications, reports, works of art, medicines or other items purchased for resale shall not be subjected to these regulations.

**Section 167:** (3) All disposals of fixed assets shall be recorded in the Asset Register of the procuring entity and a formal notification of the disposal sent to the National Assets and Government's Property Commission.

**Section 168:** (1) The head of the procuring entity shall in every year appoint a board of survey to examine, group and price all surplus, returned and scrap assets, and report its findings and recommendations.

**Section 168:** (2) A Board of Survey shall– (a) classify the goods for disposal into homogeneous groups; (b) accurately describe the variety and type of goods; (c) specify weights, number, and measurements; (d) describe the condition and other specifications; (e) arrange the disposal of scrap items of no value; (f) for assets to be sold, establish the reserve sale price by obtaining 2 independent market- based valuations of goods in the same condition including previous selling prices for similar goods sold by a procuring entity or another government entity may be used to establish the reserve price; and (g) propose the method for sale and prepare draft advertisements and sale documents.

**Section 168:** (3) Where items become unserviceable for reasons other than fair wear and tear, such as through accident or expiry, the Board of Survey shall ensure that all practical measures are taken for the recovery of losses before the items are boarded and disposed of

**Section 169:** (1) Disposal of obsolete or surplus items shall be by– (a) transfer to other government departments or public entities, with or without financial adjustment; (b) sale by public bid to a highest bidder, subject to reserve price; (c) sale by public auction, subject to reserve price; or (d) destruction, dumping, or burying as appropriate. (2) Pooling of assets for disposal shall be done in order to minimise administration and transactional costs and to attract maximum possible competition.

**Section 170:** (1) Where an asset may be usefully utilised by another procuring entity, the disposal of the asset shall be by formal transfer. (2) The receiving entity shall issue an authorised receipt of the asset to the originating entity

## 5. CHAPTER 5: ACCOUNTING FRAMEWORK

### 5.1. ACCOUNTING BASIS

The basis of accounting refers to the methodology under which assets, liabilities, revenues and expenses are recognized in the financial statements of an entity.

**Cash basis of accounting.** Under this basis of accounting, an entity recognizes revenue when cash is received, and expenses when payments are made.

**Accrual basis of accounting.** Under this basis of accounting, an entity recognizes assets, liabilities, revenue and expenses when transactions are concluded or as expenditures are consumed. This approach requires a greater knowledge of accounting, since accruals must be recorded at regular intervals.

For fixed asset management and reporting purposes, the basis of accounting has less impact than it would for income and expenditure classes of transactions. Assets must be subject to proper management, safeguarding and reporting once they meet the asset recognition criteria detailed in chapter 9.

	Accounting	FAR Reporting	Asset Management
Cash basis	<ul style="list-style-type: none"> <li>▪ Asset expensed</li> <li>▪ No depreciation</li> <li>▪ No accrual or commitment in AFS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset recognised when payment made</li> <li>▪ Accumulated depreciation calculated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assets subject to all asset management processes per this policy</li> </ul>
Accrual Basis	<ul style="list-style-type: none"> <li>▪ Depreciation expensed over assets useful life</li> <li>▪ Full accrual, liability and commitment reporting in AFS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset recognised once transaction concluded</li> <li>▪ Accumulated depreciation calculated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assets subject to all asset management processes per this policy</li> </ul>

In Sierra Leone, financial accounting and reporting is performed on the cash basis of accounting. The use of this basis of accounting does not remove the need or responsibility to responsibly manage liabilities, accruals and commitments.

## 5.2. ACCOUNTING STANDARDS

This policy is based on International Public Sector Accounting Standards (IPSAS). In particular reference is made to IPSAS-17 for property, plant and equipment and IPSAS-23 which provides guidance on the accounting and reporting for biological assets. Some reference may also be made to IPSAS-16 when working with issues pertaining to investment property.

**IPSAS17:** The objective of this Standard is to prescribe the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. The principal issues in accounting and reporting for property, plant, and equipment are

- (a) the recognition of the assets,
- (b) the determination of their carrying amounts, and
- (c) the depreciation charges and impairment losses to be recognized in relation to them.

**IPSAS-27:** The objective of this Standard is to prescribe the accounting treatment and disclosures for agricultural activity. Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture, and aquaculture (including fish farming).

As with IPSAS17, the principal issues in accounting and reporting for agricultural activity are the:

- (a) Recognition of the assets,
- (b) Determination of their carrying amounts, and
- (c) Depreciation charges and impairment losses to be recognized in relation to them.

Both of the above accounting standards are based on International Accounting Standards (IAS) as issued by the International Accounting Standards Board (IASB) and are consistent with international best practice for capital asset management.

## 6. CHAPTER 6: TRANSVERSAL INSTITUTIONAL RESPONSIBILITIES

The institutions that are included in this chapter have a functional role relating to some aspect of the fixed asset management process, which is transversal across all government entities. These roles are provided for context and understanding when reading this policy framework.

### 6.1. NATIONAL ASSETS AND GOVERNMENT PROPERTY COMMISSION

#### *Duties of the Commissioner — NAGPC Act 1990*

The Commission shall:

- a) establish and maintain a National Register of all national assets and Government's Property to be known as the Master Register which shall contain a list of all national assets;
- b) serve as the custodian of the Master Register;
- c) report on the allocation and use of various assets;
- d) Review and revise the Master Register of national assets as and when necessary in collaboration with the relevant Ministries or Departments.
- e) Monitor and report on the state of various national assets and Government's property to the President together with appropriate recommendations.
- f) The Commission shall be informed of the acquisition and holding of any assets or Government's property by the agency or Government department concerned No disposal of any national asset or Government property shall take place without prior consultation with the Commission.

#### *Powers of the Commission — NAGPC Act 1990*

Subject to any powers exercisable by any Ministry or Department, the Commission may:

- a) receive and consider any information or proposal for identifying or improving any national asset or Government's property;
- b) receive and consider any information on the misuse, abuse or disposal of Government's property without lawful authority;
- c) Undertake the examination from time to time of national assets and Government's property and make recommendations to the President for their improvement or security.
- d) In consultation with the Attorney – General and Minister of Justice and the Police, take any appropriate action to stop, check or recover any national asset or Government's property being wilfully or maliciously misused, abused or misappropriated.
- e) appoint or co-opt committees or sub – committees, whether from among members of the Commission or from among persons outside the Commission, to study in detail and make recommendations to the Commission on any aspect of national assets or Government's property on which such persons may have specialized or expert knowledge.
- f) summon and examine any person, with a view to making inquiries into any information the Commission may have received regarding the national assets or government's property, or any investigation it may carried out.

## 6.2. NATIONAL PUBLIC PROCUREMENT AUTHORITY

### *Part VIII – Disposal of stores and equipment*

Section 66 subsection (1) of the Public Procurement Act No. 1 of 2016 is subject to section 5 subsection (3) of the National Asset and Government's Property Commission Act, 1990 by which the head of a procuring entity shall convene a Board of Survey comprising representatives of departments with unserviceable, obsolete or surplus stores, plant, equipment and vehicles which shall report on the items and, subject to a technical report on them, recommend the best method of disposal after the officer in charge has completed a Board of Survey form.

Section 66 subsection (2) of the Public Procurement Act No. 1 of 2016, requires that the Board of Survey's recommendations shall be approved by the head of the procuring entity and the items shall be disposed of following disposal procedures specified in section 67.

Section 66 subsection (3) of the Public Procurement Act No. 1 of 2016 instructs that where items become unserviceable for reasons other than fair wear and tear, such as through accident or expiry, a set procedure established by the Board for handling losses shall be followed before the items are boarded and disposed of.

## 6.3. MINISTRY OF WORKS AND PUBLIC ASSETS

The Ministry of Works and Public Assets is responsible for the construction and maintenance of all government buildings and infrastructure. An extract of key functions relating to government fixed assets include:

- a) Providing housing for public servants and low cost housing for communities;
- b) Ensuring compliance with building regulations;
- c) Collaborating with MDAs & institutions in the development of policy regarding infrastructure development and maintenance;
- d) Providing professional advice to all MDAs, government institutions and non-state entities involved in infrastructural development. This includes development in electricity, water, sewerage and sanitation infrastructure).

These specialised technical functions of the ministry place it as a critical stakeholder in all matters relating to the construction, extension, maintenance or demolition of government building and infrastructure.

In addition to this key responsibility, the ministry also shares an oversight interest in all government assets and is a key party to policy development relating to such assets.

## 6.4. MINISTRY OF LANDS, HOUSING AND THE ENVIRONMENT

This ministry is mandated by the Land Act to manage all land transactions. The ministry is included in this section due to the role it plays in land registration, recording and management. Land is an asset which is used by all government entities and the ministry therefore has an interest and responsibility.

Policy goals:

## National Capital Asset Management Policy Framework

- a) Aspires to gradually formalize land transactions while respecting the customary systems.
- b) Conduct mandatory land transaction recording and registration

### Policy Objectives:

- a) To clarify the complex and ambiguous constitutional and framework for sustainable management of land resources
- b) To promote law reforms
- c) To ensure the security of land rights
- d) To promote equitable access to land
- e) To streamline and Decentralize land administration for better efficiency, transparency, and effective management
- f) Modernize and streamline land information systems

## 6.5. MINISTRY OF TRANSPORT AND AVIATION

The ministry has a mandated responsibility for a number of infrastructure intensive transport corporations and authorities including:

- Sierra Leone Ports Authority
- Sierra Leone Maritime Administration
- Sierra Leone Airports Authority
- Civil Aviation Authority
- Sierra Leone Road Transport Corporation
- Sierra Leone Road Safety Authority

The reason the ministry is included in this chapter is its role in providing policy and guidelines in the management of transport assets. The ministry has developed a policy which prescribes good practice in the acquisition, maintenance, usage and disposal of motor vehicles.

## 7. CHAPTER 7: GOVERNMENT ASSETS

### 7.1. DEFINITION

*Which assets should be included in a government entity fixed asset register?*

For the purposes of this policy framework government assets are defined in accordance with the public finance regulations. The PFMR specifies that government property:

*“includes real and any interest therein, choses in action, stocks, shares and debentures, vehicles, machinery, equipment, furniture or other immovable or moveable property belonging to the Government, or provided for the use of any Government establishment, Service Department.”*

This definition is very broad and inclusive of all property and assets entrusted to government to be deployed for the benefit and furtherance of national interests. Assets can be further classified as either current or capital assets.

**Current assets** represent all the assets of the government that are expected to be sold, consumed, used, or exhausted through standard government operations with one year. This category includes assets such as consumables, stores, inventories and perishable goods.

**Capital assets**, also called non-current or fixed assets, are property of the government that is expected to generate value over a long period of time. This category includes items such as land, buildings, transport equipment, infrastructure, furniture and IT equipment.

This capital asset management policy applies to the management, accounting and reporting of capital assets only. Current assets, such as inventories and stores, are excluded from the scope of this policy.

The accounting standards provide further clarity on when an asset should be recognised as a capital asset by providing recognition criteria as detailed in Chapter 9. In instances where there is doubt as to whether an asset should be considered a qualifying capital asset, these criteria must be used to make that determination and will guide whether the asset should be recognised and reported.

### 7.2. ASSET CUSTODIANS

*Which entities should report on government assets?*

Section 7.1 provides guidance on what constitutes assets that should be reported on by government entities. This section provides guidance on which entities are the custodians of assets and are therefore obligated to report on them in their fixed asset registers.

Section 155 (1) and (2) of the public finance regulation require that all government assets be registered as government property having a budgetary agency as a holding entity. The regulations provide further guidance on how to identify which entity is the holding entity. The regulations indicate that the holding entity may be identified by:

- i. any act or regulation; or
- ii. the free usage or occupation of the assets for its operations, public interest, or national interest

Application of the regulations in terms of identifying a holding entity means that all qualifying assets that are owned, used or controlled by a government entity should be managed as per this policy and reported on by that entity as per this policy or any other legislation. This requirement applies to all asset categories as further detailed in “section 7.3: categories and classification”. The only exceptions would be for assets that are specifically allocated to another government entity by an act or regulation.

In the event of a custodian not been identified based on the above criteria, the NAGPC will become the interim custodian of the assets until a suitable custodian is determined and the asset allocated to it. This will usually apply to transitional assets such as confiscated, seized or abandoned property.

### 7.3. CLASSIFICATION AND CATEGORIES

#### 7.3.1. Asset classification

The treatment and management of government assets is based on how an asset is classified. Once an item has been confirmed to meet the asset recognition criteria, a next critical step in asset management requires an assessment or classification of the item. Only items classified as capital assets fall within the scope of this asset management policy. The following are the applicable classification steps and criteria:

*Step 1: Assess the item against the asset recognition criteria:*

- i. Resource controlled by the entity
- ii. From which future economic benefits are expected
- iii. The cost can be reliably measured

*Step 2: Assess whether the asset is a current or capital asset*

Current asset criteria:

- Does the asset have an expected short life due either to an inherent feature? (perishable goods, etc.)
- Will the asset be converted into cash or another asset or consumed within the entity within a short timeframe or within 12 months? (deposits, investments, raw materials, inventory, debtors, etc.)

Fixed asset criteria:

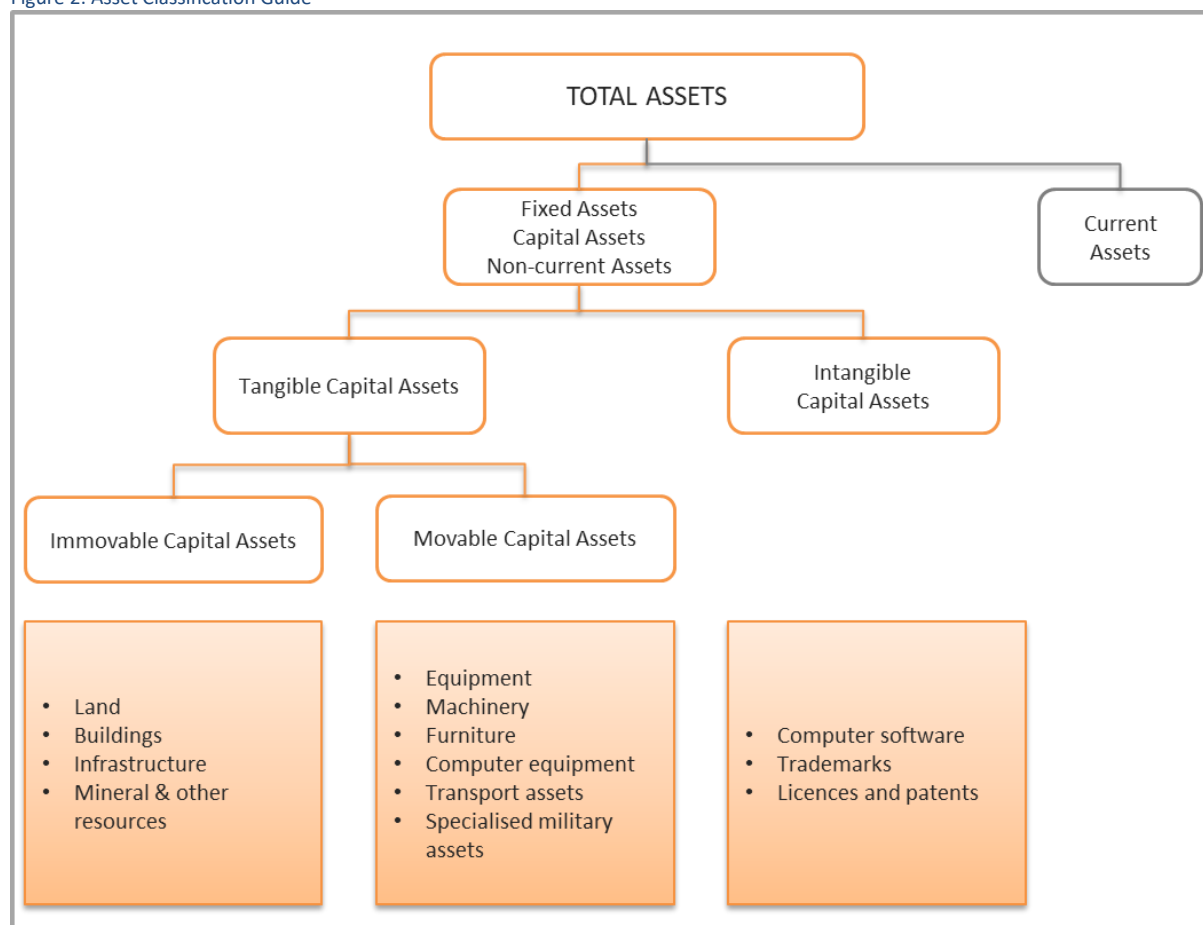
- Will the assets have an extended useful life greater than one year?
- Will the asset be used during more than one reporting period?

*Step 3: For a confirmed capital asset, assess whether the asset is a tangible or intangible capital asset*

- If the asset has a physical form and structure it is a tangible capital asset (Buildings, vehicles, equipment, etc.)
- If the asset has no physical form it is an intangible capital asset (software, patents, etc.)

The classification decisions are represented in the following diagram:

Figure 2: Asset Classification Guide



### 7.3.2. Asset categories

Government is the custodian of a significant number of assets across all asset categories. Grouping these assets into predetermined categories based on shared attributes is required to ensure structured and uniform reporting conventions across all government entities. At a national level this uniform reporting is necessary to enable the consolidation of all asset registers into a national or master asset register. This structured reporting also provides improved asset portfolio analysis and decision making opportunities.

The following are capital asset categories which shall be implemented in all capital asset reporting. The categories are derived from the International Standard Chart of Accounts as issued by the IMF and adopted within the Sierra Leone accounting and reporting practices and systems:

Code	Asset group	Definition of asset group
6111	Buildings and structures	Dwellings are buildings, or designated parts of buildings, that are used entirely or primarily as residences. Buildings other than dwellings include whole buildings or parts of buildings not designated as dwellings.
6112	Machinery and equipment	Transport equipment consists of equipment for moving people and objects, including motor Vehicles, trailers and semitrailers, ships, aircraft, motorcycles, and bicycles. Other machinery consists of all machinery and equipment other than transport equipment including furniture, IT equipment, specialised medical or industrial equipment, etc.
6113	Other fixed assets	This category consists of cultivated biological resources and intellectual property products (intangibles).
6114	Weapons systems	This category includes specialised military or police vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers, guns, etc.
6141	Land	Land consists of the ground, including the soil covering and any associated surface waters, over which ownership rights are enforced and from which economic benefits can be derived by their owners through holding or using them.
6142	Mineral and energy resources	Mineral and energy resources consist of mineral and energy reserves located on or below the earth surface that are economically exploitable, given current technology and relative prices.
6143	Other naturally occurring assets	Other naturally occurring assets comprise non-cultivated biological resources, water resources and other natural resources (radio spectrum, etc.).
6144	Intangible non-produced assets	Contracts, leases, licenses, permits etc.

Further sub-categories are required for each the first three main categories:

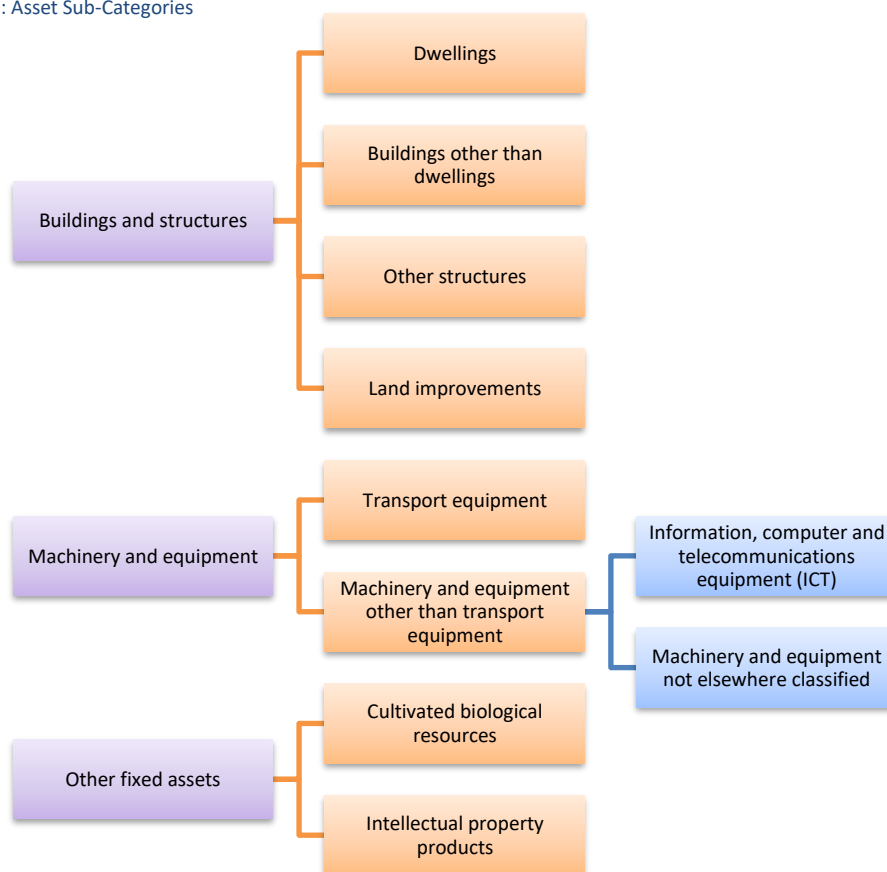
- Building and structures
- Machinery & Equipment
- Other Fixed Assets

This sub-classification is required due to financial reporting requirements and also to enhance the usefulness of the asset registers at a consolidation level.

The sub-categories are provided in figure-3 as follows:

# National Capital Asset Management Policy Framework

Figure 3: Asset Sub-Categories



## 7.4. REPORTING THRESHOLDS

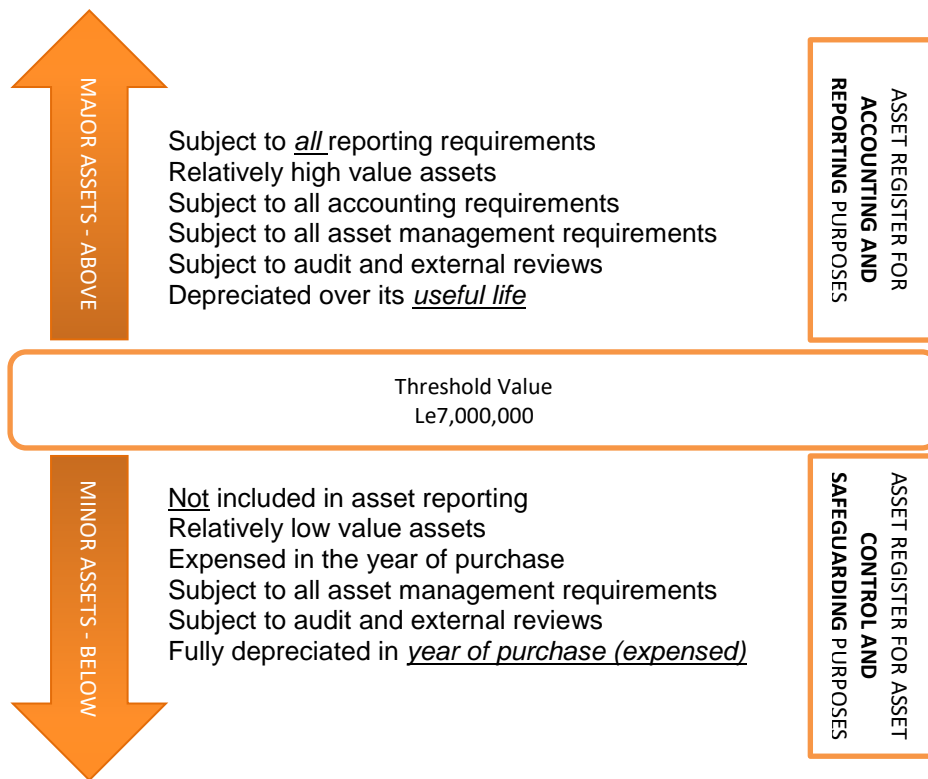
Capital assets range significantly in both financial and strategic value. The purpose of reporting on capital assets is to provide information that is useful to the users of the financial reports. Good practice in capital asset management and reporting includes establishing a value threshold for capital assets. Capital assets of value greater than the threshold are considered major capital assets whilst those below the established threshold are considered minor capital assets.

Whilst all capital assets must be subject to good capital asset management practices as detailed in this policy, only major capital assets should be included in the fixed asset registers maintained for financial statement and other capital asset reporting purposes. The minor assets should be held in a separate minor capital asset register and used to ensure that these assets are managed and safeguarded as required.

This reporting approach will significantly reduce the size of reportable fixed asset registers whilst still providing comprehensive information on strategic assets owned and used by the government. Minor assets commonly contribute significant volume to an asset register whilst representing a comparatively immaterial value.

The reporting threshold is hereby established as Le 7,000,000. This threshold may be revised from time to time by the National Government Properties and Assets Commission and communicated to the Office of the Accountant General. Any such revisions will be formally communicated to all government entities.

Figure 4: Major & Minor Assets



## 8. CHAPTER 8: ASSET MANAGEMENT & ADMINISTRATION

### 8.1 ASSET MANAGEMENT STRATEGY

Every government entity which is a custodian of fixed assets per the regulations must have an asset management strategy.

This strategy shall consist of at least four components:

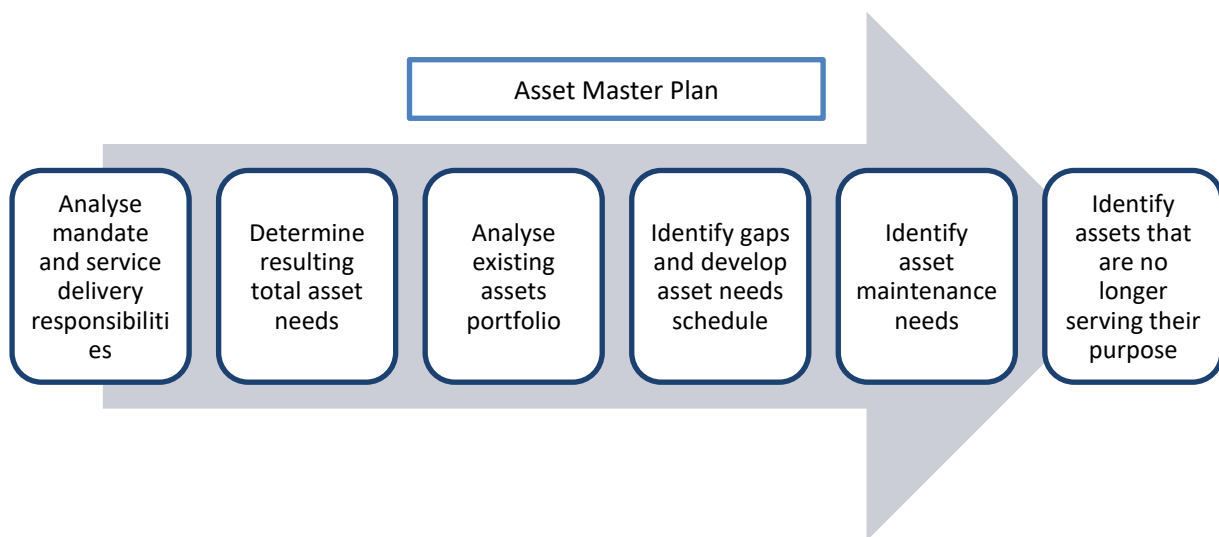
- a) Asset master plan
- b) Acquisition plan
- c) Operation and maintenance plan
- d) Disposal plan



Figure 5: Asset Management Strategy

This completed strategy must be submitted for approval by the vote controller before the beginning of each financial year and a copy sent to the NAGPC. Once the strategy is approved, the monetary requirements should be included in the capital budget for current and future financial years.

### 8.2 ASSET MASTER PLAN



This process begins when service delivery targets are used to determine the asset needs of the entity. The Asset Strategy will be developed to align the asset needs of the department with its service delivery objectives over the long term. Strategic asset management planning must be undertaken as an annual exercise ahead of the upcoming financial year.

The asset manager will have to perform a thorough investigation into the asset needs of the government entity. This will require comprehensive management engagement process across all entity section and across all locations.

The asset manager will also have to ensure that there is an assessment of the existing asset portfolio. This includes the mandatory annual physical verification of all assets including the associated

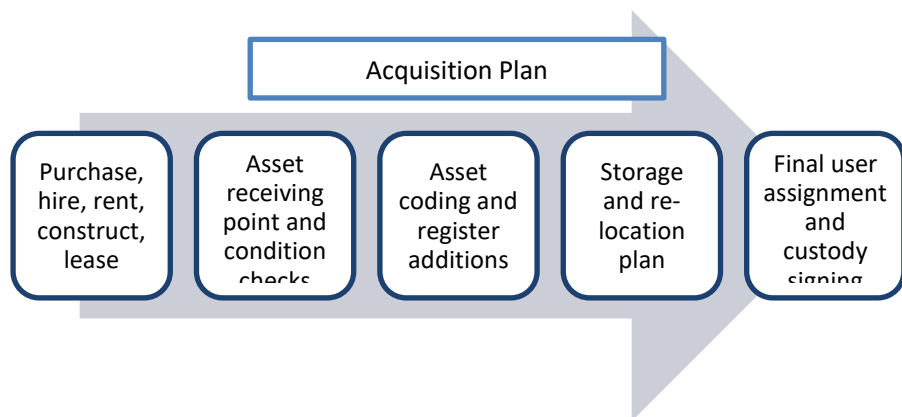
conditions assessments. This work is critical as it will provide the asset manager with information as to which assets remain effective for service delivery, which is at or near the end of their useful life.

All information gathered during this planning phase will be consolidated, analysed and then used by the asset manager to prepare the detailed plans that will inform the final budget submission and procurement plan inclusions from an asset perspective.

The asset master plan shall guide the development of the acquisition, O&M and disposal plans required to complete the asset management strategy.

### 8.3 ACQUISITION

At the beginning of the budget planning process, section managers will consider their asset needs to align their requirements with their budgets. The asset managers will request the asset needs information during the strategic planning process and will base the asset acquisition plan on this information.



All assets identified for acquisition should be obtained in the most effective, efficient and economical manner for the organisation. All options available to satisfy the need for an asset must be investigated. This includes evaluating possible non-asset based solutions before the investment decision is made to purchase the asset. To perform this evaluation an asset manager must determine the entire cost of purchasing or leasing the asset throughout the life of the asset. This would include cost of acquisition, operation & maintenance and disposal value for purchased assets and would include initiation costs, capital and interest payments for leased or financed assets. The best value-for-money solution should be identified, documented and adopted.

Asset managers are then required to draw up or review and update an existing acquisition plan taking into consideration the needs that are identified and the timing and duration of the need. This will ensure that assets are acquired in a timely and systematic manner. The acquisition plan should be based on the requirement that assets should only exist in a government entity to enable the service delivery of that entity and must clearly indicate which officials will have the delegated authority to approve the procurement of assets.

Care should be made to ensure that the acquisition plan is drawn up in compliance with current procurement procedures and supply chain management requirements.

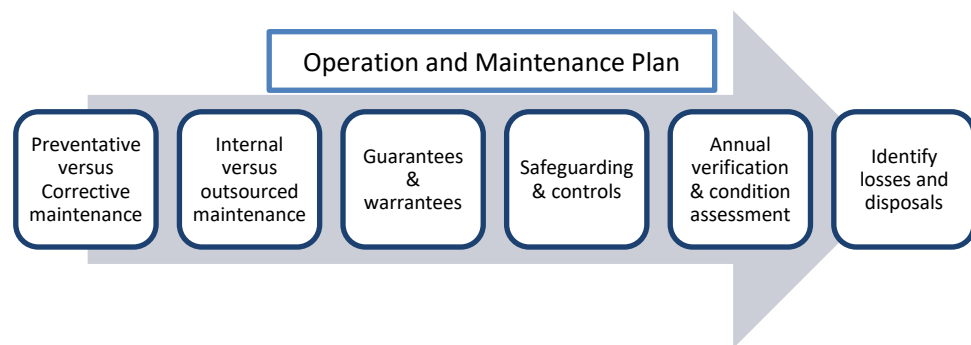
The acquisition plan must include the procedure to follow once the assets are purchased. Mandatory information to be included is:

- i. Where will the assets be delivered for receiving and processing?
- ii. Who will receive the delivery of the newly purchased assets?
- iii. Who is responsible to ensure the assets are bar-coded and updated onto the Asset Register before been signed out to a user?
- iv. If applicable, who will be responsible for ensuring the asset is registered with the appropriate registering authority (motor vehicles, land, etc.)
- v. How will they be allocated and transported to the end users?

Each Acquisition plan must make provision for a replacement schedule for existing assets. This schedule is drawn up in accordance with the disposal plan where assets need to be replaced once the useful life of the asset has expired or technological advances have rendered the asset obsolete.

#### 8.4 OPERATION AND MAINTENANCE

New assets that are purchased may require specific operation and maintenance procedures to maintain the asset in an optimal



condition. These assets may be purchased with service and maintenance contracts that stipulate the intervals for services to take place. The asset manager will need to develop and implement an annual operation and maintenance plan. This plan may require additional updates during a year as circumstances change that affect the details of the plan.

Asset Managers need to identify assets per category of assets and decide for each category whether the appropriate type of maintenance will be preventative or corrective.

**Preventative maintenance** requires that an asset is serviced at regular intervals in keeping with its inherent nature and functionality and thereby preventing the asset from break down.

**Corrective maintenance** will mean that maintenance will only be undertaken once the asset has broken down.

Once this decision has been made the asset manager must consider, for each asset category, whether the maintenance will be performed in-house or will be outsourced. Should an asset continue to not perform optimally despite maintenance been performed, disposal decisions must be considered.

The operation and maintenance plan must indicate who has the necessary authority to approve the maintenance of assets and what process would be followed to monitor the transfer and return of the asset being maintained.

Asset managers must maintain information regarding assets that are under guarantee or warranty. In the event of an asset under-performing or falling into a state of disrepair within the guarantee period, it must be returned to the supplier for repairs.

The Asset Manager is also responsible for ensuring that all assets are safeguarded. He/she must identify safeguarding measures per asset category and ensure that these measures are communicated and implemented. An example of a safeguarding measure is the trip authority and authorised signatures needed to use a state owned vehicles on an official trip. Another safeguard is the imposition of a movement authorisation form which has to be approved before any assets are moved from the formally allocated location.

A major activity to be included in the operation and maintenance plan is to develop a condition monitoring and performance measurement schedule. All assets on the asset register must have their condition assessed once a year and be updated in the asset register.

Common condition naming conventions include:

Rating	Status	Definition
C5	NEW	Asset has no defects; condition and appearance are as new.
C4	GOOD	Asset exhibits superficial wear and tear, minor defects, minor signs of deterioration to surface finishes; but does not require major maintenance; no major defects exist.
C3	FUNCTIONAL	Asset is in average condition; deteriorated surfaces require attention; services are functional, but require attention; deferred maintenance work exists.
C2	POOR	Asset has deteriorated badly; general appearance is poor with eroded protective coatings; elements are defective, services are frequently failing; significant number of major defects exists.
C1	OBSOLETE	Asset has failed; is no longer operational and unfit for normal use.

If other naming conventions are used they but must be clear and understandable. These indicators must be updated every year during the physical verification process when the asset condition can be inspected.

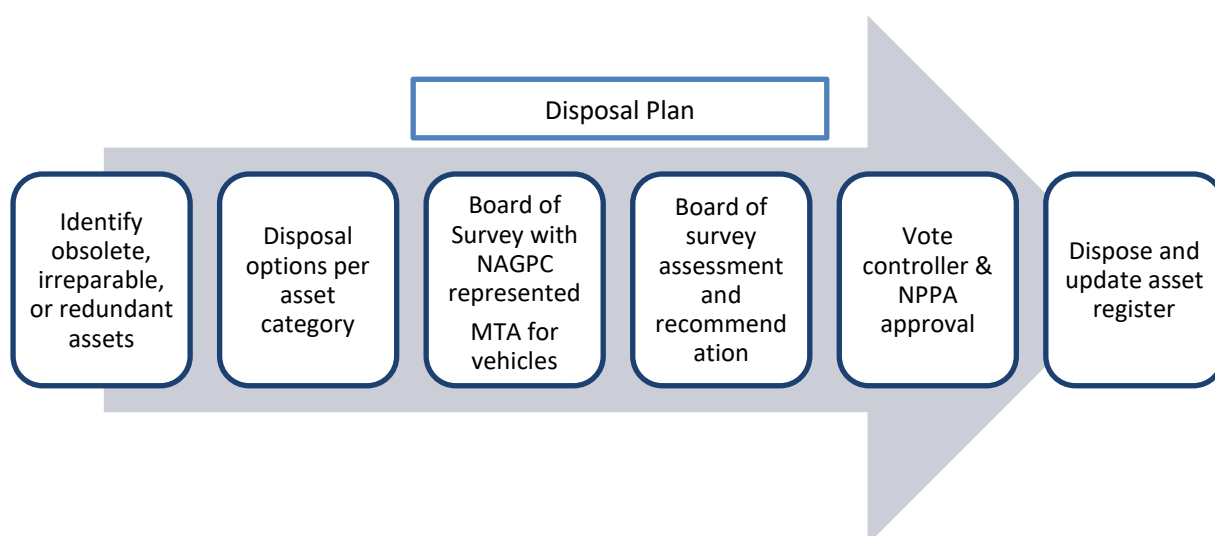
A physical verification of all capital assets must be performed at least annually. Asset managers will have to include the intervals of physical verification of assets in the operation and maintenance plan. Careful planning is required to decide when the physical verification should start and end, what process should be followed at head offices, regional offices, district offices, clinics, depots etc., and how the physical verification will take place.

The operation and maintenance plan must also include the identification of obsolete or surplus assets. These assets may be identified during the mandatory annual or periodic physical verification of all assets. The officials performing the physical verification must be able to identify obsolete or surplus

assets and to record them as such on the asset register. Asset managers must draw a listing of assets identified as obsolete or surplus and provide the same to a disposal Board of Survey for assessment at least annually.

A challenging responsibility assigned to all asset managers is to ensure that the custodians and locations of assets are recorded correctly on the asset register. The monitoring of asset movements is an onerous but critical task. Procedures must be implemented to monitor the movement of assets and to ensure the asset register is kept up-to-date. Each custodian has to accept responsibility and accountability for the assets under their control, by attachment of signatures. During future physical verifications, when assets are identified as missing, a theft and losses procedure must be followed and the asset removed from the asset register to the loss register.

### 8.5 DISPOSAL



Fixed assets can be disposed of in compliance with the Public Procurement Act No. 1 of 2016 the Public Procurement Regulations, 2020, the public finance management regulation, 2018, and the Public Finance Management Act, 2016, if the asset is in a non-usable condition or not economically feasible to repair. The asset manager of each entity must carry out physical verification of assets before initiating the assets transfer or disposal process. The asset verification reports must include, but are not limited to, the nature of assets asset, identification code, date of acquisition, acquisition cost and current physical condition.

Disposal is the final phase in the life cycle of an asset. At this point an asset is identified as being unserviceable, irreparable, redundant or obsolete and should be disposed of. As with all phases in the life-cycle approach to asset management, the asset manager will need to develop and implement an annual strategic asset disposal plan. This plan must be updated during the year as circumstances change. The set intervals needed for updating the disposal plan must be decided on and clearly indicated on the strategic asset disposal plan. The plan should also include the various disposal/demolition options and how each method should be initiated, evaluated, operationalized and concluded.

The asset manager must include the various asset type categories in the disposal plan and investigate and recommend the most appropriate form of disposal per category. This must be done in accordance with any specific requirements in the National Procurement Regulations including the requirement that disposals of asset with a value in excess of 10 million Leone be by way of a public auction. Items with a market value less than the 10 million Leone thresholds can be disposed of by way of a public bidding process as prescribed in the regulations.

It is required that the budgetary head of each government entity appoints a Board of Survey, whose function it will be to perform evaluations and issue recommendations regarding the disposal of any asset within the entity.

Key functions of this Board of Survey include:

- 1) Classify the goods into groups for disposal in homogenous groups
- 2) Accurately describe the variety and type of assets
- 3) Specify weights, size, number and measurements
- 4) Describe condition and other specifications
- 5) Identify and arrange for the disposal of items that are of no salvageable value

When capital assets are part of the planned disposal process, this structure should be composed of at least:

- Representative of the procurement unit
- Representative from the section responsible for asset management such as an Asset Officer
- An expert if required based on a specialised asset type
- Representative of the NAGPC, whose concurrence with all disposals is required

Through consultation with the asset manager and noting the recommendations submitted by the Board of Survey a disposal option can be recommended per asset type category.

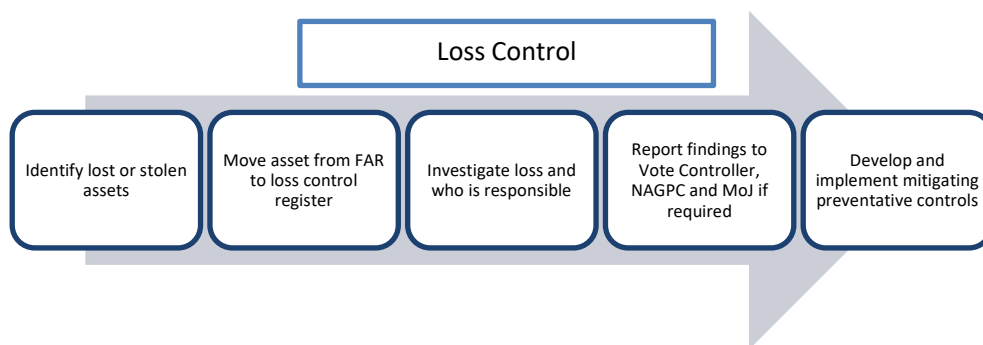
Any disposal recommendation made in terms of the prescribed procedures must be submitted to the vote controller or official who has the delegated authority to approve the disposal of assets. The details of this authority should be included in the asset disposal plan. The NPPA must be provided with the Board of Survey assessment report for review and approval before the disposal is affected.

The asset disposal plan should clearly document the actual steps in the disposal process, in line with National Procurement Regulations on disposals. Once the recommended disposal has been approved by the vote controller and NPPA the disposal process can be implemented. Once the physical asset is removed from the department, the Asset Register must adjust to reflect that the asset has been disposed of.

### 8.6 LOSS CONTROL

The operation and maintenance requirement for assets includes an annual physical verification of all capital assets. This verification process serves a number of purposes including verifying the condition and existence of assets. During this verification process, asset managers are likely to identify assets

that are missing. Asset managers will also be informed of assets that have been stolen. These lost assets need to be subject to loss control processes.



The only means by which an asset can be removed from a

government entity asset register is through an approved disposal, demolition, asset transfer or through the loss control process. This is an essential control to prevent assets from been lost, stolen or misappropriated without detection.

Once an asset has been identified as a loss it must be transferred from the asset register to a loss control register. Once an asset is registered on the loss control register, the asset manager must report the losses to the NAGPC. Asset managers must then initiate a preliminary loss assessment process for each item registered on the loss control register. This process will include:

- i. Investigate and determining the facts around the loss
- ii. Losses suspected to result from theft are to be reported to the police for formal investigation
- iii. Determine if any official is responsible and report as necessary
- iv. Determine what control could have been instituted to prevent the loss

Once a thorough loss assessment has been performed, the losses should be reported to both the NAGPC and the vote controller. Any remedial controls which are identified to prevent similar losses from re-occurring must be documented in the loss assessment reports and then implemented.

### 8.7 LAND, BUILDINGS, INFRASTRUCTURE, FLEET & BIOLOGICAL ASSETS

This policy is based on international asset management principles and practices. The principles can be applied to all asset categories and types if applied sensibly. Whilst management of most assets and asset categories are covered by the policy provisions, the following *additional procedures* are called for in respect of land, buildings, infrastructure and fleet assets:

Policy Area	Land	Buildings & infrastructure	Motor vehicles	Biological assets
<b>Planning</b>	No additional requirements	If expertise required, approach Ministry of Works & Public Assets	No additional requirements	If additional expertise required, approach Ministry of Agriculture
<b>Acquisition</b>	Engagement with Ministry of Lands required	Engagement with Ministry of Works & Public Assets required	Engagement with Ministry of Transport & Aviation	If acquisition involves land, engagement with

## National Capital Asset Management Policy Framework

Policy Area	Land	Buildings & infrastructure	Motor vehicles	Biological assets
			See provisions of the Vehicle Fleet Policy	Ministry of Lands required.
<b>Operation &amp; Maintenance</b>	No additional requirements	If expertise required, approach Ministry of Works & Public Assets	Engagement with Ministry of Transport & Aviation See provisions of the Vehicle Fleet Policy	Same principles apply but maintenance involves keeping the biological assets in good, productive condition and appropriately safeguarded
<b>Disposal</b>	Engagement with Ministry of Lands required	Engagement with Ministry of Works & Public Assets required	Engagement with Ministry of Transport & Aviation See provisions of the Vehicle Fleet Policy	No additional requirements
<b>Loss control</b>	n/a	n/a	Report vehicle losses to Ministry of Transport & Aviation	No additional requirements

The NAGPC should also be consulted for clarity on any policy issues including those relating to the above.

## 9. CHAPTER 9: ASSET RECORDING & ACCOUNTING

Financial statements are required present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses.

The objective of this chapter is to guide the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. The principal issues in accounting for property, plant, and equipment as per IPSAS17 are:

- (a) the recognition of the assets,
- (b) the determination of their carrying amounts, and
- (c) the depreciation charges and impairment losses to be recognized in relation to them.

For asset registers to provide financial information which complies with the 'fair presentation' criteria, they must be prepared on a uniform and consistent basis. This is achieved through compliance with international accounting standards relating to capital assets. IPSAS 17 and IPSAS 27 are the key standards providing the required criteria which are applicable to these assets.

### 9.1 RECOGNITION CRITERIA

An asset is defined as:

"A resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity".

In some instances it can be challenging to identify whether an asset meets the above criteria which is required for an asset to be included in the asset register of the entity. Possession or ownership would ordinarily be synonymous with control over the future service potential embodied in the asset. The key question for determining control is however, whether the government entity not only has the benefit of the service potential but also whether it has control over the service potential of the asset, meaning the authority to decide if and how the asset will be used and is usually evidenced by the department's ability to control all of the following:

- i) Use the asset to achieve its objectives;
- ii) Restrict or change access to the asset;
- iii) Surrender the asset to another entity;
- iv) To dispose of the asset; and
- v) Bear the risks associated with holding the asset.

For items that meet the criteria to be recognised as an asset of the entity and also have been classified as capital or non-current assets as per chapter 7, IPSAS17 provides further criteria before an asset can be recognised in the financial reports.

Section 14 of the IPSAS17 standard states that the cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:

- i. It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- ii. The cost or fair value of the item can be measured reliably.

It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals, and small items of equipment, and to apply the criteria to the aggregate value. It may also be appropriate to aggregate other infrastructure items consisting of multiple components used for a single purpose such as airports, harbours, hospitals, water and electrical distribution infrastructure, etc. Judgment is required in applying the recognition criteria to an entity's specific circumstances. It must be noted that when aggregation is applied, the asset custodian is still required to verify, track and assess individual components as per normal asset management practices in this policy.

Once an item has met all the asset recognition criteria it must then be recorded in the government entity asset register.

## 9.2 INITIAL MEASUREMENT

### 9.2.1 Recognised at cost

An item of property, plant, and equipment that qualifies for recognition as a capital or non-current asset shall be measured at its cost in the asset register of the reporting entity.

The cost of an item of property, plant, and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

- i. Examples of directly attributable costs are:
- ii. Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant, and equipment;
- iii. Costs of site preparation;
- iv. Initial delivery and handling costs;
- v. Installation and assembly costs;
- vi. Costs of testing whether the asset is functioning properly
- vii. Professional fees.

In instances where the cost value of an asset cannot be determined, the asset must be valued and included on the asset register at fair value. As with the cost model, proper records must be maintained supporting the cost or valuation of the asset recognised on the asset register.

### 9.2.2 Recognised at fair value

Where an asset is acquired through a non-exchange transaction, it shall be measured at its fair value as at the date of acquisition and included in the asset register accordingly.

The fair value of items of property is usually determined from market-based evidence by appraisal. The fair value of items of plant and equipment is usually their market value determined by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession, who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles, and many types of plant and equipment.

### 9.3 ADDITIONAL EXPENDITURE

According to the IPSAS17 asset recognition principles, an entity does not recognize in the carrying amount of an item of property, plant, and equipment the costs of the day-to-day servicing of the item. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the “repairs and maintenance” of the item of property, plant, and equipment.

When an existing assets capacity or capability is increased due to upgrades and extensions, such costs are regarded as capital and must be capitalised to the asset in the asset register.

Parts of some items of property, plant, and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of use, or aircraft interiors may require replacement several times during the life of the airframe. Under the recognition principle in IPSAS17, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized.

### 9.4 SUBSEQUENT MEASUREMENT

After an asset is recorded in the asset register of an entity, its value must be adjusted on an annual basis. This is due to the asset value changing as the item suffers wear and tear or damage over time. To ensure the asset register continues to reflect reasonable values for these assets over time, the value must be adjusted to reflect these asset value changes.

There are two methods under the accounting standards by which property, plant and equipment can be subsequently valued.

**The cost model:** After recognition as an asset, an item of property, plant, and equipment shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses.

**The revaluation model:** After recognition as an asset, an item of property, plant, and equipment whose fair value can be measured reliably shall be carried at a revalue amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

### 9.4.1 Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. This means that the value of an asset is decreased to its residual value, in equal annual amounts, over the number of years for which the asset is expected to remain usable. This is known as the “straight line” method of depreciation. The annual depreciation value is an estimation of the value of the asset that has been used up during the year under review.

All property, plant and equipment must be depreciated on an annual basis until such time as the carrying value of the asset falls below the residual value. This does not apply to land assets which do not depreciate or suffer wear and tear.

Depreciation will be calculated from the date of acquisition or commissioning. Annual depreciation shall be accumulated each year and reported against each asset on the asset register as accumulated depreciation.

The determination of the useful life of an asset is based on a number of criteria including how an asset is maintained and used. The following broad useful life ranges can be used as a guide when determining an appropriate indicator for assets. Where depreciation rates and useful life estimations have been provided in the Ministry of Transport and Aviation Fleet Management Policy, those rates must be applied.

Fixed Asset Class	Fixed Asset Sub Class	Estimate useful life
Communication and IT Equipment	IT Equipment	4
	Communications Equipment	7
	Audio Visual Equipment	7
Vehicles	Light Wheeled Vehicles	6
	Heavy Wheeled Vehicles and Engineering Support Vehicles	12
	Specialized Vehicles, Trailers and Attachments	6-12
	Vessels	10
Machinery & Equipment	Light Engineering and Construction Equipment	5
	Heavy Engineering and Construction Equipment	12
	Printing and Publishing Equipment	20
	Water Treatment and Fuel Distribution Equipment	7
	Medical Equipment	5
	Transportation Equipment	7
	Security and Safety Equipment	5
	Mine detection and clearing equipment	5
	Accommodation and refrigeration equipment	6
Furniture and fixtures	Office Equipment	4
	Furniture	10
	Library Reference Material (incl. Books)	3
	Fixtures and Fittings	7
Leasehold improvements	Fixtures and Fittings (shorter of lease term /5 years)	5
	Minor Construction Works (shorter of lease term /5 years)	5

Fixed Asset Class	Fixed Asset Sub Class	Estimate useful life
Infrastructure assets	Telecommunication Energy Protection Transport Waste management Water management Recreation Landscaping	Up to 50 years (Industry expert directive required)
Assets under construction	Buildings under construction Infrastructure assets under construction Other assets under construction	No depreciation until complete
Buildings	Buildings - fixed  Buildings - Temporary and Mobile Buildings – commercial finance lease Buildings – donated rights to use	Up to 50 years (Expert opinion required) 7-10 7-10 7-10
Land	-	Not depreciated

#### 9.4.2 Impairment

Government entities shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset.

Signs of impairment could include:

- i. Physical external damage
- ii. Excessive wear and tear
- iii. Reduced output or functionality
- iv. Escalating maintenance needs and costs
- v. Obsolescence issues due to changing specifications and requirements

Once there is cause to assess an asset for impairment, the entity must initiate an evaluation of the value of the asset. The value of the asset should then be reduced in the asset register by recognising the impairment against it. The value of the impairment would be the difference between the carrying value of the asset and the current valuation value.

#### 9.5 DERECOGNITION

Once an asset has been registered on the asset register of a government entity it can only be removed or derecognised from the register if:

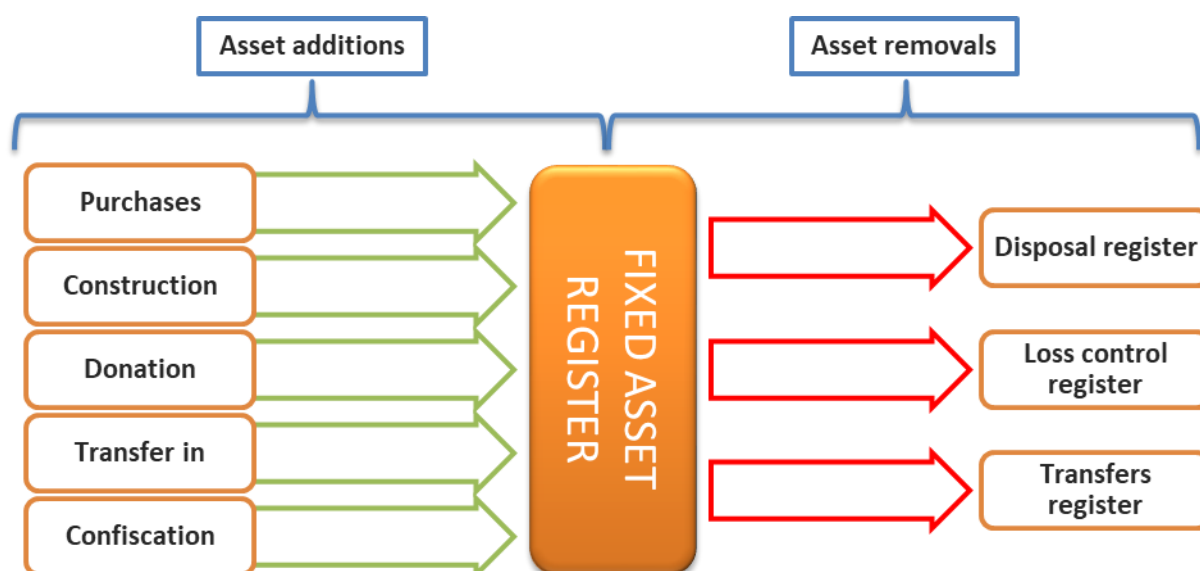
- i. The asset is disposed of or demolished
- ii. The asset is stolen or lost
- iii. When no further economic benefits are expected to flow to the entity from the use or disposal of the asset (deemed disposal)

Capital assets may also be transferred from one budgetary entity to another according to the following criteria:

- (a) the holding of the asset does not comply with any existing act or regulation;
- (b) the asset has not been allocated to the suitable entity for effective and efficient use in serving the public and the national interest;
- (c) the asset is an excess to the holding entity and a necessary need to another entity;
- (d) the holding entity has misused the asset; or
- (e) the holding entity cannot, or has failed to, maintain or to preserve the asset.

The transfer of an asset may be made on a voluntary basis between the Budgetary Agencies, or by the decision of the National Assets and Government’s Property Commission with the approval of the Minister.

Only in the above circumstances can an asset be removed from the entities fixed asset register. All assets identified as having been removed from a government entity asset register through review by any internal or external structure, must be included on either a loss control register, disposal register or appear on an approved asset transfer certificate. If such identified assets are not on the loss control or disposal register, they shall be deemed stolen and reported to the police for investigation.



### 9.6 REPORTING VALUE

Property, plant and equipment of government entities must be reported at carrying value in the accounting register and reports of the entity. The carrying value is the initial cost or valuation of the asset less accumulated depreciation as at the reporting date. This carrying value can be further adjusted due to any impairments or revaluation adjustments recognised for the assets.

### 9.7 LAND, BUILDINGS, INFRASTRUCTURE, FLEET & BIOLOGICAL ASSETS

This policy is based on international public sector accounting standard principles and practices. The principles can be applied to all asset categories and types if applied sensibly. Whilst management of most assets and asset categories are covered by the policy provisions, the following additional procedures are called for in respect of land, buildings, infrastructure and fleet assets:

## National Capital Asset Management Policy Framework

Policy Area	Land	Buildings & infrastructure	Motor vehicles	Biological assets
<b>Recognition criteria</b>	No additional requirements	No additional requirements	No additional requirements	No additional requirements
<b>Initial Measurement</b>	No additional requirements	No additional requirements	No additional requirements	Recognised as fair value less costs to sell or in compliance with IPSAS-16 for investment property
<b>Subsequent measurement</b>	Held at cost or fair value based on professional valuation	Depreciated value or fair value based on professional valuation	No additional requirements	Recognised as fair value less costs to sell or in compliance with IPSAS-16 for investment property
<b>Depreciation</b>	No depreciation	No additional requirements	No additional requirements	No depreciation
<b>Impairment</b>	Impairment recognised if required due to valuation	Impairment recognised if required due to valuation	No additional requirements	Impairment recognised if required due to valuation

All Government entities should also consult the NAGPC for clarity on any policy issues including those relating to the above.

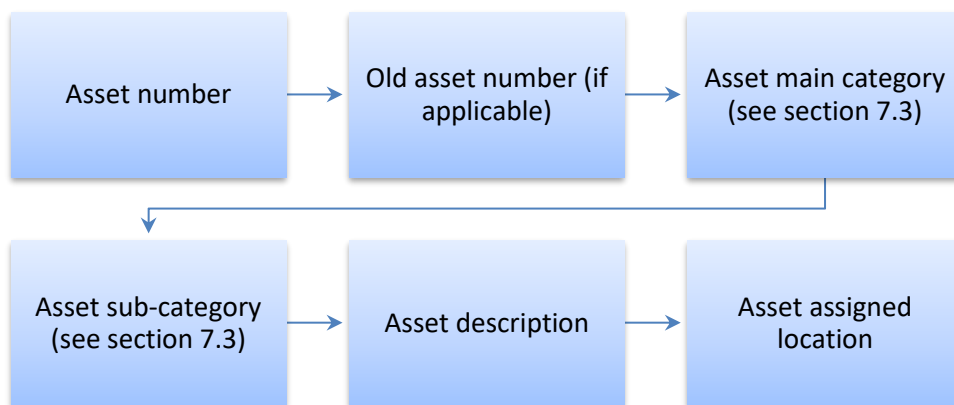
## 10. CHAPTER 10: ASSET REPORTING

### 10.1 ASSET REGISTER MINIMUM REQUIREMENTS

Asset Management reporting has historically been challenged by insufficient, incomplete and unsupported information. This has been driven by a number of factors including limited human resources, systems and guiding policy. In light of the above, a guideline setting acceptable minimum reporting requirements for all MDAs is provided to inform what is considered an appropriate and compliant level of information to be included in asset registers. It is expected that an entity will maintain a full and comprehensive repository of information relating to all assets. The following is just an extract of this data which is required for compliant reporting and disclosure.

#### 10.1.1 Minimum information for movable assets:

##### a) General asset information

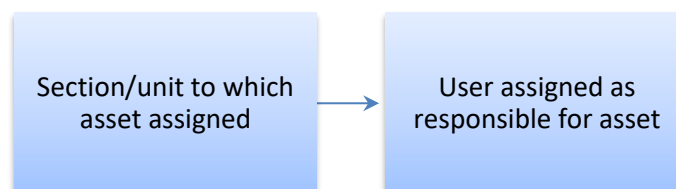


##### b) Identification

This section requires the recording of the unique asset identification number. Examples include:

- serial number
- VIN number
- Engine number

##### c) Accountability



d) Condition

All fixed assets are subject to an annual physical verification process as per this policy. During this verification, a visual inspection can be used to confirm or assess asset conditions. The reporting of this condition assessment should be in terms of section 8.4 as follows:

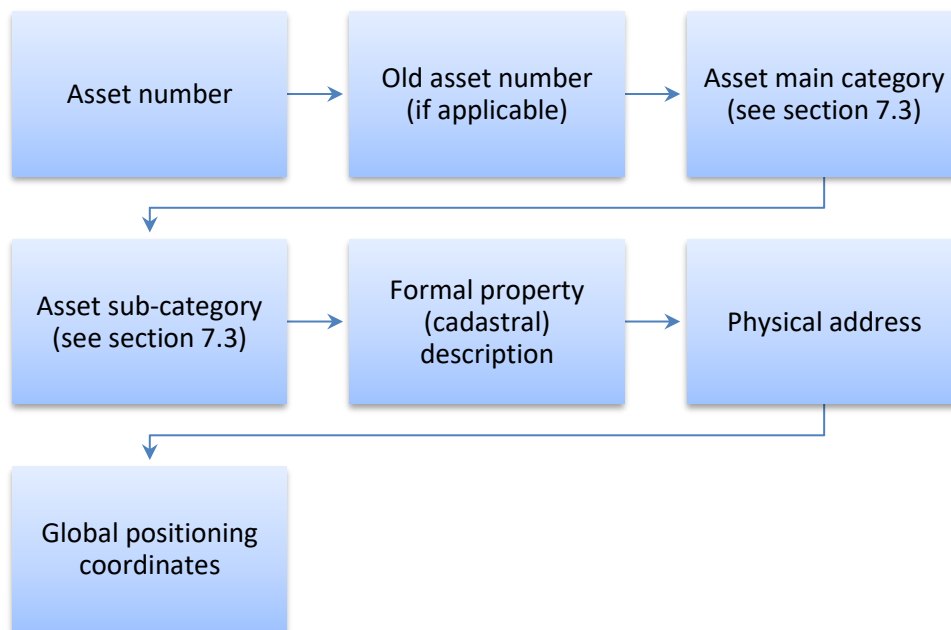
- New
- Good
- Functional
- Poor
- Obsolete

e) Financial information



10.1.2 Minimum information for immovable assets:

f) General asset information

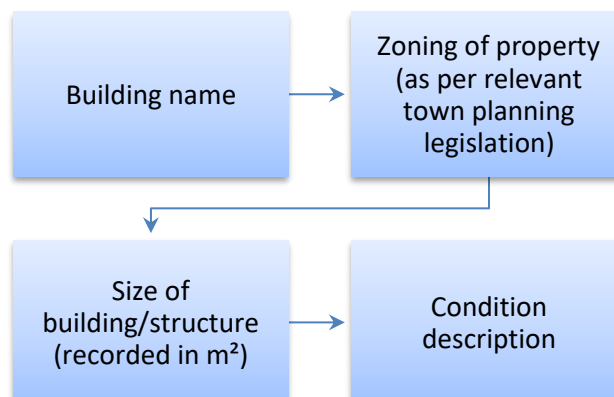


g) Type of asset

Type of asset based on the function of the infrastructure. Examples include:

- Hospital
- police station
- clinic
- Residential building
- Non-residential building
- vacant land
- Developed land
- Farmland
- Etc.

h) Description of asset

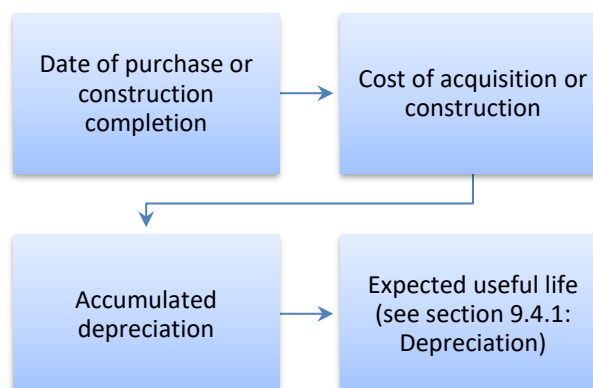


i) Encumbrances

Details of any encumbrances over the property such as:

- Leases (long or short term)
- Land restitution claims lodged against the asset
- Any securities lodged against the asset

j) Financial information



Comprehensive and complete supporting information to substantiate the information captured in the asset register must be securely files and kept available for review. Where documentation is missing or not available, this must be noted and reported. Asset managers should ensure that an alternate a reasonable approach or process has been applied to get to the information recorded in the asset register. Whilst this may still result in audit exceptions, it is better to record the asset with information available and maintain transparency with regards to missing documents and alternate efforts made to support reported information.

## 10.2 FINANCIAL STATEMENT REPORTING CYCLES

The annual fixed asset reporting cycle for government entities is prescribed by the Public Finance Management Regulations as follows:

**Section 171(7)** Within two months after the financial year ends, the vote controller shall report to the Accountant-General and the National Assets and Government’s Property Commission about the status and the value of the assets taken into account depreciation and appreciation factors.

As per the regulation, all government entities are required to submit fixed asset registers compiled in compliance with this policy, in an electronic format to the NAGPC. These asset registers must reconcile to the capital asset values reported in the entities annual financial statements.

## 10.2 REPORTING TO OTHER INSTITUTIONAL STRUCTURES

### 10.2.1 NAGPC

#### Entity Role:

- Establish and maintain the national asset register of all nations assets and government property
- Serve as the custodian of the national asset register
- Report on the allocation and use of various Assets
- Review and revise the master register in collaboration with MDA's
- Monitor and report on the state of various national assets and government property to the president together with appropriate recommendations

#### Reports required from all government entities:

- Fixed Asset Register compliant with minimum information requirements per section 10.1.
- Report of any assets purchased
- Report of any assets disposals
- Report of any asset losses
- Report on any asset abuse, misuse, misappropriation or theft

#### Frequency of reporting:

- Complete fixed asset register to be submitted two months after the end of the financial year
- Report of asset acquisitions to be submitted within 10 days of acquisition
- Report of assets disposed of to be made within 30 days of the disposal process
- Report of asset losses, abuse and theft to be made within 30 days of the incident being detected or reported to the entity

### 10.2.2 MOJ

#### Entity Role:

- Legal advice to the Government Ministries and other Government departments
- Legal representation on behalf of Government
- Publication of legislations and law reports
- Constitutional and legal matters
- Law revisions and law reforms
- Drafting of parliament bills and legal documents

#### Reports required from all government entities:

- Any instances of government asset abuse, theft or misappropriation must be reported to the ministry for prosecution
- Reports of asset abuse, theft or misappropriation must be submitted within 30 days of the transgression being identified. The same reports must be made available to the NAGPC.
- Per Article 8 of the NAGPC Act and Section 170(1) of the PFM Regulations, the NAGPC has a mandate to work with the Attorney-General and MOJ in a view to recover government property. As such, all reports submitted to the MoJ or the Attorney General must also be submitted to the NAGPC to facilitate this mandate.

Frequency of reporting:

- Reporting required on identification of qualifying incident

10.2.3 MTA

Entity Role:

- The mandate of the Ministry of Transport and Aviation includes creating an integrated and safe transportation network that incorporates all modes of transport that reflect regional priorities; and provides a strong foundation for economic growth.

Reports required from all government entities:

- Details of any planned motor vehicle purchases (cars, motorcycles, yellow fleet, etc.)
- Report of any vehicles identified for disposal (MTA manages disposal process)
- Report of any vehicle maintenance needs

Frequency of reporting:

- Report of any vehicle damages or losses
- Planned vehicle purchases to be reported during the annual budget preparation process
- Motor vehicle disposals, damages or losses to be reported within 30 days of the event
- Maintenance needs to be reported as per the National Fleet Management Policy.

## 11. CHAPTER 11: DONOR ASSETS

### 11.1 ASSESSMENT PRIOR TO ACCEPTANCE

Prior to the acceptance of any donated assets a receiving entity must perform a suitability analysis. This analysis will require the entity assessing the following:

- a) Are the assets in working condition
- b) Are the assets serviceable within the country
- c) Is required maintenance costly
- d) Will the assets enhance service delivery
- e) Can the assets be suitably stored and safeguarded
- f) Are there any future costs associated with continued use of the asset
- g) Are there any significant disposal costs if the assets become non-functional
- h) Are the assets obsolete

### 11.2 RECORDING

Similar to purchased or constructed assets, donor assets only become the property of government once the asset recognition criteria as per section 9.1 are met. This means that donor assets introduced into the government portfolio could include assets that are still owned by donor agencies. This would occur in instances where the government controls the assets and also benefits from the use of assets.

Donor assets are not acquired through purchase or construction agreements and therefore the cost method of recording the initial value of the assets in a government entity asset register is not appropriate. Instead, donor assets should be taken onto the asset register and recorded according to their fair value. These assets will then be subject to depreciation over their remaining useful life as per the depreciation guidance provided in section 9.4.1.

### 11.3 REPORTING

Once donor assets are recorded on the asset register of a government entity, they are subject to the same reporting requirements as other purchased or constructed fixed assets. The same procedures and principles are applied to these assets including the assessment of whether the asset should be treated as a major or minor asset as per section 7.4.

The only additional reporting requirement is that the asset be identified in the asset register as a donated asset. This is important because when the asset register is subject to review by external parties such as the Office of the Auditor General or the NAGPC, the asset additions made during the year may be compared to the capital purchases made for the year. Donated assets would not be included on the capital expenditure accounts as they were not purchased but rather received at no cost. Marking these assets as donor assets would eliminate them from reflecting as a reconciling item in such a review process.

## 12. CHAPTER 12: COMPLIANCE WITH THIS POLICY

The scope and requirements of this policy are extensive and are likely to require considerable time and commitment to implement. Whilst the concepts in this policy are fairly basic and a number of required procedures are already in practice, there is a substantial work to be done.

The current inconsistency in the management, accounting and reporting for assets can only be remedied through change. This change must be directed through the requirements of this policy to bring all MDA's to a common understanding of how public assets are managed.

As such:

- a) Each budget controller, accounting officer or institutional head shall be responsible for ensuring compliance with this policy.
- b) This will include ensuring that appropriately trained and skilled asset practitioners or officials are appointed to manage the assets of the entity as per the policy requirements.
- c) This will include ensuring the policy is shared with all those responsible for asset management, accounting and reporting.
- d) This will include recording and reporting instances of undue political or other pressures or instructions levied on asset management practitioners to circumvent any provisions of this policy framework.
- e) Further responsibility will rest with internal audit, which must include in their strategic and annual audit planning, procedures to verify compliance with the requirements of this policy.
- f) The Office of the Auditor General has the authority to review compliance of entities with all legislation, regulations and policies. As such, the requirements of this policy shall fall within their mandate and could be included in their planning based on the risks associated with weak asset management.
- g) The NAGPC is empowered to initiate asset confiscation processes if asset are found not been managed and safeguarded properly

This policy will be subject to on-going reviews as implementation challenges or incompatibilities are identified. It is the responsibility of everyone involved in any component of asset management to implement the requirements of this policy and communicate any challenges or restrictions that prevent compliance to the NAGPC for consideration.

### 13. CHAPTER 13: HIGH LEVEL IMPLEMENTATION CONSIDERATIONS

All MDA’s and government entities are charged with the responsibility to manage their capital assets in compliance with this policy. The policy provides the framework and minimum practices required to ensure that assets are subject to good asset management practices but is not overly prescriptive in how entities should structure themselves to implement the policy framework. This provides government entities with the flexibility to update existing structures or develop new structures in a way that best suits the needs and capacity of the entity.

This chapter is included to provide high level strategic suggestions for the implementation of the requirements of this policy framework.

1	Assign the overall responsibility for the asset management function to an Asset Champion. This official must be a suitably qualified and experienced senior official with skill sets as follows:	<ul style="list-style-type: none"> <li>• Experienced strategic thinker and planner</li> <li>• Good project manager</li> <li>• Good team manager</li> <li>• Strong communicator</li> <li>• Experience in accounting and reporting</li> <li>• Strong ethical characteristics</li> </ul>
2	Provide the designated Asset Champion with training opportunities in the area of asset management and reporting	<ul style="list-style-type: none"> <li>• Office of the Accountant General (accounting &amp; reporting)</li> <li>• National Assets and Government’s Property Commission (Fixed Asset Policy Framework)</li> <li>• Ministry of Transport and Aviation (National Fleet Management Policy).</li> <li>• Other government or external training opportunities</li> </ul>
3	Task the Asset Champion with preparing a plan to guide the implementation of the asset management policy framework based on a preliminary assessment of the size of the asset portfolio for which the asset champion will be responsible	<ul style="list-style-type: none"> <li>• Personnel requirements</li> <li>• Equipment requirements</li> <li>• Structure of any committees required (acquisitions tasks, maintenance activities, disposal processes, approvals, etc.)</li> <li>• Proposed timelines for recurring asset management functions                             <ul style="list-style-type: none"> <li>• Planning &amp; budgeting cycle</li> <li>• Annual asset verifications &amp; condition assessments</li> <li>• Planned timeframes for disposal processes</li> <li>• Quarterly and annual reporting deadlines (AGD, NAGPC, etc.)</li> </ul> </li> <li>• Risk assessment identifying critical challenges preventing compliance with the Fixed Asset Policy Framework and proposed mitigation procedures</li> </ul>
4	Review the implementation plan. Engage with entities such as the AGD, MoF and the NAGPC	<ul style="list-style-type: none"> <li>• Rather clarify uncertainties before implementing</li> </ul>

	for clarifications, guidance or advice when needed	
5	Plan and budget for the provision of the resources required by the Asset Champion to enable the execution of the implementation plan	<ul style="list-style-type: none"> <li>Part of the budgeting process for the administrative oversight of capital assets</li> <li>Not to be confused with the budget for the purchase or maintenance of capital assets</li> </ul>
6	Asset Champion to initiate the implementation of the plan	<ul style="list-style-type: none"> <li>Set realistic targets</li> <li>Ensure implementation team are trained, equipped and understand tasks</li> </ul>
7	Progress monitoring on at least a quarterly basis	<ul style="list-style-type: none"> <li>Identify challenges that are restricting progress and escalate within the management reporting structures for assistance</li> </ul>

The implementation plan should serve as the basis of the project management and progress reporting processes. The following suggestions are provided relating to the implementation plan prioritisations and some likely challenges to expect:

1	Government assets that are not included on a fixed asset register are at very high risk of been subject to theft, loss, abuse or neglect. A suggested first priority is to perform a full inventory of capital assets for inclusion on the asset register.	<ul style="list-style-type: none"> <li>Record as much information as is available per the minimum asset register information requirements in section 10.1.</li> <li>Use the asset categories per section 7.3.1.</li> <li>Where specific information is not available, leave the missing section blank until a decision can be taken on how to proceed. It's important for the asset to be listed, even if the entry is not complete initially. (These exceptions can be dealt with subsequently in batches based on similar attributes).</li> <li>If there is uncertainty as to whether the asset inspected is the property of the government, list the asset and note the uncertainty regarding the ownership of the asset for follow up. This can be performed against third party information such as databases of registering authorities.</li> </ul>
2	Prioritise the asset acquisition and disposal plans.	<ul style="list-style-type: none"> <li>This will ensure that procedures and structures are in place to ensure that new asset additions are recorded on the fixed asset register as received and while all necessary information is readily available.</li> <li>The disposal plan will ensure that when assets are disposed of, they are removed from the fixed asset register and transferred to the disposal register with all the required disposal information.</li> </ul>

		<ul style="list-style-type: none"><li>• This will keep the asset register current whilst other assets are still been captured and information sourced.</li></ul>
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