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Fixed Asset Management Policy

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1. Introduction

This policy oversees the management and disposal of Fixed Assets ensuring adequate controls are in place to manage Fixed Assets. The purpose of this policy is to define measurement and recognition criteria for fixed assets, depreciation policy with respect to fixed assets and policies and procedure of recording, controlling and safeguarding all the fixed assets of the institution including fixed assets received as donation/grant in aid in accordance with the requirement of International Financial Reporting Standard.

1.1 Definition of Fixed Assets
"Fixed Assets" Those assets which directly or indirectly contribute towards the operation of the various DFY projects, are not held for the purposes resale and have a life of more than one year are termed as fixed assets. The example of fixed assets includes land, buildings, equipment, vehicles, furniture, computer etc. For an asset to qualify as fixed assets, it must satisfy the following conditions: For the purposes of these guidelines, "Fixed Assets" are Program Assets which:

(i) are acquired, held, managed, used and/or controlled by DFY;
(ii) are expected to be used over more than one accounting or reporting period for Program implementation, or for administrative purposes;
(iii) provides future economic or service benefits to the disease; and
(iv) either have a reliably measured individual cost or value which equals or exceeds (≥) the lower of (i) US$ 800; and (ii) the fixed asset capitalization value of that Program Asset.

1.2 Fixed Assets may be tangible Must have physical substance, adequate size (separately identifiable) and individuality to permit identification (with physical form and existence) or intangible (without physical form or existence) in nature. Examples of Fixed Assets include, but are not limited to, the following:
(i) Health Products - Equipment such as CD4 analyzers, HIV viral load analyzers, microscopes, TB molecular test equipment & other health equipment;
(ii) Non-Health Equipment (Tangible): computers, computer equipment, vehicles, furniture, generators and other non-health equipment;
(iii) Non-Health Equipment (Intangible): software and applications; and
(iv) Leases (Intangible or tangible).

Accordingly, Fixed Assets exclude consumable or inventory items such as (but not limited to) gloves, masks and syringes etc.

1.3 Purpose and Scope
The main purpose of these guidelines is to prescribe or define key principles and processes for the management of Fixed Assets. They aim to:

- help understand minimum requirements relating to the management of Fixed Assets;
- enhance clarity in financial decision-making in relation to Fixed Assets; and
- ensure an appropriate balance between flexibility and efficiency, transparency and accountability of fixed assets management.

These guidelines are intended to to develop and maintain effective policies and procedures relating to the recognition, measurement, maintenance, repairs, transfer, disposal, monitoring and reporting of Fixed Assets. For information on budgeting and the procurement of Fixed Assets, please refer to the relevant guidelines, policies and procedures.

This guides all actions that acquire, manage, hold, use and/or control Fixed Assets. These guidelines also serve as guidance for all DFY staff, volunteers, consultants, field teams, Internal Auditors and External Auditors as they discharge or carry out their respective responsibilities in relation to the management, monitoring, oversight and verification of DFY resources.

These guidelines are to be used in conjunction with the:

- Procurement policy
- Finance Policy and other polices listed in https://doctorsforyou.org/dfy-policy-guidelines.php
- relevant operational policies (including, but not limited to, the program Cycle Management Policy

To the extent there is a conflict between the provisions set out in the above documents and these guidelines, the provisions in the above documents shall prevail.

1.4 Responsibilities

All the heads of the departments/entities are responsible to adhered to this policy related to Fixed Assets of their area and entity. Whereas Fixed Assets Section of Finance Department is responsible to ensure that all the relevant person adhered to this policy.

The primary responsibility for custody, stewardship and maintenance of fixed assets including assets received as gift/donation rests with the respective divisional heads or his/her designee. Department heads shall be responsible for any unjustifiable loss/disappearance of an asset from the department. Departments should monitor the movement of all the fixed assets and should undertake a physical count activity once every year. In addition, at the time of change of responsibility from one person to another person the physical count of Fixed Assets under the custody of changing authorities shall also be undertaken and list of assets shall be signed off by both authorities.

Departments must maintain fixed assets record with themselves at all the times which should contain;

1. 4.1 Physically verified inventory sheets of past periods evidencing the fact that fixed assets have been self-verified at bi-annually;

1.4.2 Assets Transfer forms (ATFs – Annexure A) of the fixed assets transferred in or out of their departments;

1.4.3 Copy of approved Assets Disposal / Write-off Form (ADWFs- Annexure B)

Fixed Assets dept within Internal Affairs Control Department will physically verify all the assets as per the policy and procedure mentioned in this document. The Purchasing and Supply Chain Management (PSCM) Division will be responsible for procurement, tagging, recording of assets details and disposal of fixed assets. Recording of assets in the assets management system is the responsibility of the Fixed Assets Department. Recording of fixed assets including fixed assets received as gift/donation in the Asset Management System shall be the responsibility of the Fixed Assets department of the internal affairs Division.

Any assets lost/missing or damaged will be charged to the person assigned to the assets. There will be zero tolerance for assets lost/missing or damaged.

2. Key Principles and Processes

2.1 Fixed Asset Acquisition

Fixed Assets may be acquired in one or more of the following ways:

- procured by the grant implementer in line with their applicable procurement laws and regulations, terms of the procurement policy.
- procured by a third party on behalf of DFY (i.e. by a procurement agent);
- through direct procurement by the donor on behalf of DFY through the Pooled Procurement Mechanism;
- transferred to DFY by a partner
- donation of Fixed Assets to the Program at country level by one or more other stakeholders.

2.2 Key Principles and Requirements

The following are the minimum control requirements:

- procurement in line with applicable procurement laws and regulations
- development and implementation of adequate policies and procedures for the recognition, management and disposal of Fixed Assets based on applicable laws and regulations and donor requirements;
- development of a comprehensive record of all Fixed Assets (the "fixed asset register" or "FAR' which allows for identification of individual assets.
- appropriate usage and maintenance of Fixed Assets, including ensuring adequate insurance and, secure storage prior to deployment, logbooks and regular operational maintenance and repairs, to ensure effective, efficient and economical use of Fixed Assets;
- undertaking an inventory (including a physical verification) of Fixed Assets on a regular basis. At a minimum, the DFY expects a full inventory of Fixed Assets to be performed over an implementation period. The results of the exercise must be documented, including determining the existence, location and condition of the relevant asset, reconciling the inventory result with the FAR, and investigating differences (if any); and development of a system of reporting of any stolen or unaccounted for assets.
- The Asset Management System would be updated whenever there is movement of an asset; i.e. when there is an addition, transfer, disposal and write-off. Movements recorded in the Asset Management System are reconciled with the relevant fixed assets control account in the General Ledger; for instance, cost of furniture noted in the Asset Management System would be matched with the relevant fixed assets control account.
- Fixed assets donated/gifted to the institutions shall be recorded in the books of account at the prevailing market value, which should be obtained from Materials Management/Administration division on request and in consultation with the Fixed Assets department of the Finance Division.
- Physical verification of all the fixed assets of the institution is mandatory in order to ensure their safeguard. Physical verification of the fixed assets is the primary responsibility of user department/ custodian of the fixed asset. Accordingly, at the end of every year, all department heads and their designated staff will receive a list of fixed assets which are on record of the Fixed Assets department of the Finance Division for that department. The assigned department will conduct the inventory count of the items present at their site, noting any additions, deletions and changes that need to be made in the list provided by the Fixed Assets department of the Finance Division. All changes which are required to be made shall be justified by the supporting documents i.e. write-off forms and transfer-out forms etc.
- The assigned department will also comment on the condition of any asset, which they believe are damaged/ irreparable or stolen / missing by noting in the remarks column of the inventory sheet and will follow the procedure.
- The final list from each department shall be signed off by the Department head along with the staff responsible for conducting the asset count. Such list shall be submitted to Fixed Assets Section within one month from the date of receiving the inventory sheet from the Fixed Assets Section.

- The fixed assets physical verification sheet will be reconciled by Fixed Asset Section with asset management records based on the inventory done by user department. Fixed Assets section of the Finance Department would send the updated final sheet to the department for their records.
- Finance Department will also undertake quarterly verification of all additions and obtain a sign-off from the asset custodians and department heads.
- Finance department will also mandatorily undertake the activity of 100% physical verification of all Fixed Assets with user departments once in every three years in order to match the actual assets to the assets records available.
- Beside 100% verification once in every three year period, the Fixed Assets section is at the liberty to arrange physical counts at any time during the year in order to monitor the fixed assets located at various departments.
- Each Department head will nominate a staff to act as a “coordinator" between the relevant department and the Fixed Assets section so that the count can be completed in a timely manner.
- All departments would keep all the fixed asset count sheets and other related fixed asset documents in their records for future reference purposes.

2.3 Security

- It is the Department head's responsibility to protect all fixed assets including assets received as gift/ donation against theft, misuse, malicious damage or other hazards, such as fire to ensure that such losses are minimized. This includes precautions such as locking fixed assets or areas where they are located. However, the Safety and Security/Administration Department is responsible for safeguarding the building, vehicles, and on-site.
- Where an asset is damaged or lost/missing, an incident report shall be filled out by the person allocated that particular asset. The form should be signed off by the section head or assistant in line in line with the relevant policy and procedures document within 24 hours of the incident.
- During the physical verification exercise Department shall report to security & internal audit department all missing assets after endorsement by departmental heads for further investigation. It will be the departmental head’s responsibility to avail all the necessary information (witnesses) to the safety and security department as and when required for investigations. Security shall investigate and revert to management on their finding and recommendations.

2.4 Inter-departmental transfers:

- Transfer of fixed assets including fixed assets received as gift/donation from one department to another department would be carried out through the Asset Transfer Form (ATF), which is to be raised by the transferring department. The description of the fixed asset, asset code, complete account code details should be noted on the form and transferor’s signature should be obtained before the fixed asset is handed over to the receiving department.

3. Recognition, Measurement and Reporting of Fixed Assets

3.1 Overview

This section outlines key requirements relating to recognizing, measuring, tracking and reporting of Fixed Assets that should be followed in addition to any applicable accounting standards.

3.2 Recognition of Fixed Assets

Each Fixed Asset must be recognized in accordance with the applicable accounting standard and recorded in FAR. Each Fixed Asset item must be recorded separately in the FAR. It is not required to record and report an individual Fixed Asset items if their individual cost or value is less than US$ 8,00. However, if the aggregated cost of Fixed Assets of a similar nature, function and useful life exceeds the US$ 2,500 threshold for a particular transaction or during the implementation period, these must be recorded as a line item in the FAR (aggregated by units and/or amounts). This will apply to items such as laptops, IT equipment, cameras, projectors and/or mobile phones and any other assets as determined by the DFY management from time to time as documented in Management meeting minutes.

In addition to the FAR, the grant implementer should also maintain a memorandum account to monitor the US$ 800 threshold for lower value items through an implementation period. For example, the purchase of three mobile phones valued at US$ 200 each should be recorded in the memorandum account, but does not need to be entered in the FAR. However, should a further 10 mobile phones be procured during the Implementation Period, as the 15 individual assets have an aggregated cost of US$3000, they should all subsequently be recorded on the FAR.

3.3 Initial Measurement

A value is to be assigned to each Fixed Asset reported in the FAR. Each Fixed Asset is to be measured at cost, including:

- purchase price (i.e. amount of cash or cash equivalent paid or the fair value of consideration given to acquire the relevant Fixed Asset) and after deducting trade discounts (if any); and
- any additional cost incurred to deploy, operationalize and bring the Fixed Asset to the current location and condition including the cost of site preparation, delivery and handling, installation, related professional fees etc.

Should follow the applicable accounting policies and procedures for the depreciation/amortization of assets in the normal course and the write-down of damaged assets for accounting purposes. Irrespective of the accounting standards followed, the DFY should maintain, as part of the FAR, the initial value assigned to the Fixed Asset. The FAR is a subsidiary record, therefore cost assigned to a Fixed Asset may not necessarily be aligned with the financial statements due to different accounting basis (cash basis of accounting vs accrual basis of accounting).

3.4 Fixed Assets Register (FAR)

All Fixed Assets must be recorded in the FAR irrespective of the accounting policies and standards. A template FAR can be found in Appendix 1. Roles and responsibilities for the inclusion, removal, maintenance and/ or review of the FAR are to be established in the grant implementer's policies and procedures, while ensuring appropriate segregation of duties. At a minimum, the person responsible for the physical control or usage of a Fixed Asset must not be responsible for the maintenance and update of the FAR.

The minimum information required in the FAR includes, but is not limited to, the: unique asset identification number or code, asset description, classification (based on similar nature, function & useful life as outlined in para 5 above), date of purchase, implementation period, cost of asset, location (including, where available, the specific department, office and or bin/warehouse etc.), organization (holding, managing, controlling and/or using the asset), current condition, person responsible and the estimated useful life on the date of acquisition. To facilitate the physical verification, each asset must be tagged with the unique asset identification number or code in line with the number or code in the FAR and the code must be designed to include reference for implementer and asset type,

The FAR must be kept up-to-date for all acquisitions, additions, disposals, theft or other pertinent changes. The FAR must be inclusive of Fixed Assets purchased over multiple Implementation Periods and contain assets transferred from one entity to another. Assets can only be removed from the FAR when management, use and/or control of that asset has changed, i.e. when the asset is transferred, damaged beyond use, stolen or disposed of (for details please refer to section 5 below).

3.5 Reporting

The Program uncharge's must keep the FAR up-to-date and make it available upon the Governing Body's specific/ad-hoc request. A schedule of Fixed Assets is to be included in the Purpose Financial Statements duly supported by an up-to-date FAR. Assets recorded on the FAR that are stolen, misused or otherwise unaccounted for must be immediately reported upon learning of its theft, misuse or disappearance. The team must take appropriate and proportionate measures to investigate the asset's misuse or disappearance and to mitigate further losses of a similar nature. Information relating to concerns of material amounts of stolen or misused assets should be shared with the Office of the Director of Internal Affairs. Anyone reporting a violation may choose to remain anonymous. This can be done by email: compliance@doctorsoforyou.org

4. Management of Fixed Assets

4.1 Overview

Project incharge who acquires, holds, manages, uses and/or controls a Fixed Asset is responsible for monitoring and safeguarding of such Fixed Assets against loss, damage, theft or misuse including fraud. Project uncharges are expected to have the programmatic, financial, and management capabilities to effectively undertake their roles under the program. This extends to ensuring that Program Assets can be appropriately managed, efficiently utilized and effectively safeguarded. As such, the DFY will need to have adequate policies and processes in place to manage the operational aspects of Fixed Assets, including, but not limited to, the distribution and use, insurance, maintenance, repair and physical counts of the relevant Fixed Assets.

Organization will have the added responsibility for monitoring and reporting on Program Assets, irrespective of the location, ownership and use of the assets, as well as ensuring each field teams have sufficient policies and procedures for the management of Fixed Assets.

4.2 Distribution and Use

Proper management of assets underpin the success of interventions. It is imperative that field teams procure only necessary assets for programmatic implementation and that these assets are used efficiently and effectively. Field teams is also responsible for ensuring that any assets procured are distributed to intended beneficiaries based on a need's assessment. Distributed assets must be accompanied by waybills, delivery notes, installation reports or other relevant installation documentation as evidence of asset transfer. Unless expressly authorized, Fixed Assets may not be used other than for particular grant-related activities. For each vehicle in use (and procured using particular donor Funds), the implementer must maintain a log book noting the purpose of the travel, the traveler, and the distanced travelled. Each traveler must sign the log book confirming their trip. Any falsification of travel documents or excess purchase of fuel beyond the mileage recorded in the log books will be deemed a non-compliant expenditure and a refund will be requested.

4.3 Insurance

Adequate insurance protection is a means to transfer risks of the potential loss and damage of assets, and to mitigate supply chain and other risks which can impede programmatic performance. Adequate insurance also mitigates risks that may affect activities undertaken by grant implementers. Director of concerned dept should take steps to ensure that each grant implementer safeguards assets by maintaining adequate all risk property insurance and general liability insurance. Whether or not the particular donor acquires, holds, manages, uses and/or controls the Fixed Asset, in the event of loss or theft of, or damage to any Fixed Assets, the DFY will be required to immediately replace such items at the own expense with similar assets of the same quantity and quality.

4.4 Maintenance and Repairs

It is the responsibility of the project incharge who acquires, holds, manages, uses and/or controls the Fixed Asset to ensure such assets are appropriately maintained, and that as part of their fixed asset management practices, that regular maintenance is scheduled for the upkeep of the asset. The project development team that prepared the initial budget is encouraged to include necessary and reasonable maintenance and repair costs as part of the Program budget.

4.5 Fixed Assets Monitoring

All Fixed Assets must be monitored in accordance with applicable policies and procedures including, but not limited to:

- the periodic verification of the existence of Fixed Assets through physical counts, and the organization should have in place a risk-based mechanism for periodic physical count/verification;
- review or assessment of the current condition and expected estimated remaining useful life of the Fixed Assets;
- reconciliation of physical verification results to the FAR and investigation and correction/adjustments of any differences including correct/current location etc.; and

- verification of internal controls and checks to ensure appropriate use, maintenance, completeness and accuracy of records. Fixed Assets that are identified as stolen or otherwise unaccounted for must be immediately reported to the Country Team.

5. Fixed Assets Transfer and Disposal

5.1 Overview

The transfer or disposal of Program Assets depends on the type of closure or the condition of the specific asset. Assets may not be transferred to individuals for personal use or for other agencies without written approval from the board. DFY Governing Body reserves the right to investigate or verify that assets are used in accordance with the provision that approved the procurement of in the first place.

5.2 Disposal of asset due to impairment

Fixed Assets can be disposed of, in compliance with applicable policies and procedures, if the asset is in a non-usable condition or not economically feasible to repair. A physical verification of assets must be carried out before initiating the assets transfer or disposal process. The asset verification reports must include, but are not limited to, the nature of asset(s); asset identification code; date of acquisition; acquisition cost (purchase cost); and current physical condition (remaining useable life or economic life etc.). Replacement parts of assets can be capitalized if the cost is more than 8,00. if the cost is made to reduce frequent replacement/repairs and it's non-recurrent in nature. The carrying amount of those parts replaced should be derecognized (disposed) in accordance with recognition provisions and expenses in the statements of income expenditure.

Any proceeds from the disposal of Fixed Assets must be recorded as other income/revenue under the concerned project and used for other pertinent project activities, upon prior approval by the Governing body if DFY.

5.3 Depreciation and amortization

Each significant and separable part of a fixed asset with a cost that is material in relation to the total cost of the fixed asset system shall be depreciated separately. Similarly, depreciation can be charged in a group for fixed assets which has the same useful life and the same depreciation method. The depreciation charge for each fixed asset shall be recorded on a monthly /periodic basis. Depreciation rate used shall reflect the pattern in which the fixed asset's future economic benefits are expected to be consumed by the entity. Depreciation is to be computed using the Straight Line Method, under which the depreciation for each fixed asset would be determined as follows:

$$\text{Depreciation Charge} = \frac{\text{Cost of asset - Residual value}}{\text{Estimated Useful Life of fixed asset}}$$

The depreciation on fixed assets begins when it becomes available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal. Intangibles are amortized using the straight line method over their estimated useful lives. Amortization on additions is charged from the month in which an asset is put to use and on disposals up to the month immediately preceding the disposal. Goodwill is not amortized but is tested annually for impairment and carried at cost less accumulated impairment losses.

The annual depreciation/amortization rates that would be used to calculate monthly depreciation charges for each fixed asset category are listed below:

S. No	Fixed Assets Categories	%
1	Plant and Machinery	10%
2	Leasehold Land	Lease Period
3	Building improvements	Lease Period
4	Building on Lease/Free Hold Land	2%
5	Furniture and Fixtures	15%
6	Medical and Surgical Equipment	15%
7	Information Technology Equipment	33.3%
8	Vehicles	20%
9	Computer Software	10%
10	Capital Spares – Medical Equipment	15%
11	Capital Spares – Plan and Machinery	10%
12	Short Term Leases	Lease Period
13	Intangibles CWIP	Nil
14	Books and Periodicals	15%