



REPUBLIC OF KENYA



COUNCIL OF LEGAL EDUCATION

ASSET MANAGEMENT POLICY

2024



TABLE OF CONTENTS

Foreword.....	1
Acknowledgment.....	3
Policy Approval.....	4
Policy Amendment Sheet	5
Abbreviations and Acronyms	6
1. Background and Mandate.....	7
1.1 Background	10
1.2 The Mandate.....	10
1.3 Governance Status.....	10
1.4 Vision	10
1.5 Mission	11
1.6 Core Values.....	11
1.7 Rationale of The Policy.....	11
1.8 Objectives of the Policy.....	11
1.9 Purpose.....	12
1.10 Scope and Application.....	12
1.11 Interpretation and Enforcement	12
2. Planning	15
2.1 Introduction.....	15
2.2 Objectives for asset planning.....	15
2.3 Integrated Planning	15
2.3.1 Budget process	15
2.4 Budgeting for Non-financial assets.....	16
2.5 Considerations prior to acquisition.....	16
3. Acquisition.....	18
3.1 Introduction.....	18
3.3 Ways of acquiring non-financial assets.....	19
3.4 Acquisition of Assets	19
3.5 Received Donated non-financial assets	19

TABLE OF CONTENTS

3.6	Decision to lease or acquisition involving consideration	20
3.7	Outsourcing arrangements	21
3.8	Acquisition of immovable property	21
3.9	Approval to acquire non financial assets	21
3.10	Funding of non -financial asset acquisitions	22
3.11	Handover of Project Assets	22
3.12	Work-in-progress	23
3.13	Date of Acquisition	24
4.	Operations and Maintenance.....	25
4.1	Operation plans.....	25
4.2	Maintenance plans for Nonfinancial asset	26
4.3.1	Physical receipting of non -financial assets	26
4.4	General maintenance of non -financial asset.....	26
4.5	Management of portable and attractive items	28
4.6	Insurance of non -financial assets	28
4.7	Asset identification/ tagging	29
4.8	Asset coding	29
4.9	Asset Tagging	29
4.10	Physical security of tangible assets	29
4.11	Protecting and securing intangible assets	30
4.12	Hire of non-financial Government assets	30
4.13	Internal movement of assets	31
4.14	Asset recording - Fixed Assets Register.....	31
4.15	Recording - Format of Asset register	32
4.15.3.1	General information	32
4.15.3.2	Accounting information	33
4.16	Reconciliation of fixed asset register and accounting records	34
4.17	Verification and condition assessment of physical assets	34
4.18	Verification assessment of intangible assets	35

TABLE OF CONTENTS

4.19	Valuation approaches	36
4.20	Borrowing/loaning of assets between public entities	37
4.21	Handover of assets by officers	38
4.22	Monitoring of non-financial asset performance	38
4.23	Obsolescence	39
4.24	Assets hand-over after project closure/ closure of government entities	40
5.	Disposal of Assets.....	41
5.1	Introduction.....	41
5.2	Disposal committee.....	41
5.3	Disposal procedure.....	41
5.4	Asset disposal methods	42
5.5	Requirement for disposal of assets	43
5.6	Ground for disposal.....	43
5.7	Disposal planning.....	43
5.8	Fair, equitable, transparent, and competitive disposal	44
5.8	Disposal of land and buildings/ immovable property	44
5.9	Donation (Giving) of public property.....	44
5.10	Segregation of duties during disposal	45
5.11	Replacement of assets.....	45
6.	Accounting for Non-Financial Assets.....	47
6.1	Overview.....	47
6.2	Introduction.....	47
6.3	Recognition.....	47
6.4	Measurement at recognition	47
6.5	Measurement after recognition	49
6.6	Capitalization threshold.....	49
6.7	Subsequent expenditure on assets.....	50
6.8	Depreciation - overview.....	50
6.9	Depreciation - Residual values.....	51

TABLE OF CONTENTS

6.10	Depreciation- initial determination of useful life	51
6.10.1	Intangible Assets	52
6.11	Depreciation - Depreciation method	52
6.12	Revaluation of non -financial assets	53
6.13	Write-downs of non-financial assets	53
6.14	Impairment of non -financial assets	54
6.15	Accounting treatment on disposal of non-financial assets	55
6.16	Carrying values of assets	55
6.17	Reduction of the carrying amount	56
6.18	Subsequent increase in recoverable amount	56
6.19	Accounting for Work-in-Progress	56
6.20	Accounting for Abandoned Assets	58
7.	Policy Implementation and Monitoring.....	58
7.1	The Chief Executive Officer.....	58
7.2	Asset Management Committee	58
7.3	Head Human Resource & Administration Officer.....	59
7.4	Head of Finance & Accounts	59
7.5	Head of Supply Chain Management.....	59
7.6	Head of Legal Services	60
7.7	Staff.....	60
7.8	General Provisions	60
7.9	Amendments/Review.....	60
Appendix 1.	Asset Registers	61
	Standard asset register.....	62
	Motor vehicle register.....	62
	Land register.....	62
	Building Register.....	63
	Intangible assets register.....	63
	Stocks/ consumables Register.....	63

TABLE OF CONTENTS

Other Infrastructure Register	64
Work in Progress Register	64
Investments Register.....	65
Cash and Bank Register.....	65
Loans Receivable Register.....	66
Accounts Receivable Register	66
Other Receivables Register.....	67
Staff Imprests Register	67
Appendix 2: Liability registers.....	68
Loans Payable Register.....	68
Contingent Liabilities Register.....	68
Accruals/ Provisions Register.....	69
Accounts Payables Register.....	69
Pensions Payable Register.....	69
Other Liabilities Register.....	69
Appendix 3. Assets Movement Form	70
Appendix 4. Revaluation Schedule	70
Appendix 5. Losses Register.....	71
Appendix 6. Guarantees and Indemnities Register.....	71
Appendix 7. Lease Register.....	72
Appendix 8. Litigation Register.....	72
Appendix 9. Equipment Sign-Out Register.....	73
Appendix 10. Asset Transfer Form from One Division to Another	73
Appendix 11. Asset Handover Form.....	74
Appendix 11. Asset Reconciliation Report	74



The Council of Legal Education (CLE) is a corporate body established under the Legal Education Act Cap. 16B Laws of Kenya. CLE is entrusted with the mandate of regulating, supervising, and licensing legal education programs and providers in Kenya, setting standards for curriculum and modular instruction, monitoring and evaluating legal education providers and programs, and advising the Government on matters relating to legal education. CLE also administers the Advocates Training Program examination for purposes of admission to the Roll of Advocates in Kenya.

CLE has over the years acquired assets in various forms, some fixed and others moveable. Though they have largely been properly taken care of and well kept, records of the assets have to be kept properly. A register of the assets has also been kept and this Policy will enhance the entire process of asset management.

It is therefore important that the CLE prepares a Policy to guide the management of its assets, targeting mainly the fixed assets. The main purpose of the Policy is to track the cost of the assets, how they are maintained, the depreciation levels, and how they can be disposed. In particular, the Assets Management Policy will guide in recording and capitalization of the assets, the methods of depreciation and impairment of the assets, timing for valuations and revaluations and procedures for retirement, write off and disposal of the same.

Whereas the core business of managing this process and implementing the assets management Policy will fall in the Finance and Accounts Division, all sections and Divisions of the CLE have responsibility to ensure there is proper management and utilization of the assets under their care. This includes keeping an updated inventory of the assets and their current state.

This policy ensures that the CLE's fixed assets are acquired, safeguarded, accounted for, controlled, and disposed of in accordance with the Laws of Kenya, International Financial Standards, and Generally Accepted Accounting Principles. It is designed to ensure a uniform understanding of the capitalization of the Council's fixed assets and the efficient management of the fixed assets register.

FOREWORD

Finally, I take this opportunity to appreciate all the stakeholders who participated in developing this Policy. Specifically, I acknowledge the Council for spearheading this key process and CLE's staff led by the Finance and Accounts Division.



Prof. Collins Odote Oloo
CHAIRPERSON
COUNCIL OF LEGAL EDUCATION.



ACKNOWLEDGMENT



The development of this Asset Management Policy is premised on the important role the Council places on its assets. The Policy outlines the Council's commitment to ensure efficient and effective management of its assets to optimize service delivery to our stakeholders. The policy establishes a framework that outlines the management of both fixed and movable assets of CLE. Though they have largely been properly taken care of and well-kept in the past and the assets register updated regularly, this Policy will enhance the entire process of asset management.

I wish to thank the Council for spearheading the process of developing this Policy. My sincere gratitude also to the Finance and Accounts Division for coordinating the process of developing the Policy and for providing logistical support to the team that was involved.

I acknowledge the role played by staff and stakeholders in providing invaluable support that has greatly enriched this Policy.

A handwritten signature in blue ink, appearing to read 'Jennifer Gitiri'. The signature is stylized with a large initial 'J' and a series of loops.

Ms. Jennifer Gitiri, HSC
Ag. SECRETARY/CEO
COUNCIL OF LEGAL EDUCATION



POLICY APPROVAL

This Asset Management Policy was duly adopted and approved by the Council in its

meeting held on the^{14th} day of*October*..... 2024.

This Policy shall be reviewed as and when necessary. All amendments will be communicated in writing using the amendment sheet below. This will ensure that the Asset Management Policy remains consistent with the CLE's Strategic direction and mandate.



Chairperson
COUNCIL OF LEGAL EDUCATION

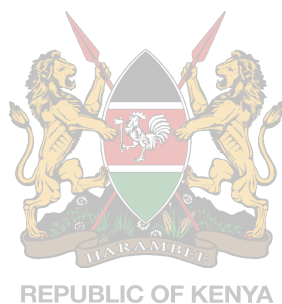


Ag. Secretary/Chief Executive Officer
COUNCIL OF LEGAL EDUCATION



POLICY AMENDMENT SHEET

Issue/Revision No	Subject of Amendments	Reviewed By (Signature)	Review Authorized by (Signature)	Date



ABBREVIATIONS AND ACRONYMS

ADS	Accountable Documents
AIE	Authority to Incur Expenditure
CEO	Chief Executive Officer
CLE	Council of Legal Education
CRBR	Counterfoil Receipt Book Register
ERP	Enterprise Resource Planning
HOFA	Head of Finance and Accounts
HODs	Head of Division/Directorate
HoSCM	Head of Supply Chain Management
HoHR&A	Head of Human Resource & Administration
IPSAS	International Public Sector Accounting Standards
MTEF	Medium Term Expenditure Framework
OAG	Office of the Attorney General
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
PFM	The Public Finance Management
PPADA	Public Procurement & Assets Disposal Act
PSASB (K)	Public Sector Accounting Standards Board in Kenya
WP	Work Plan



DEFINITION OF TERMS

Asset An asset is defined in terms of IPSAS standards as follows.

“Assets are resources **controlled** by an entity as a result of past events and from which future 1) Economic benefits or service potential associated with the item will flow to the entity .2) The cost of the fair value of the item can be measured reliably.

Future economic benefits: The potential to contribute, directly or indirectly, to the flow of can and cash equivalents of the operating activities.

Asset Management “Asset management” is a systematic process of planning, acquisition, operating, maintaining and disposing of assets in the most cost-effective manner including all costs, risks and performance attributes.

Amortization Is the systematic allocation of the depreciable amount of an intangible asset over its useful life

Carrying Amount “Carrying amount” is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses. This is also referred to as net book value in books of account.

Class of Assets “Class of assets” means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Contingent Asset “Contingent asset” is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Cost “Cost” is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other internationally recognized Accounting Standards.

Control “Control” of an asset means that an entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential.



DEFINITION OF TERMS

Depreciable Amount “Depreciable amount” is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

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

Disposal “Disposal” has the same meaning assigned to it in section 2 of the Public Procurement and Asset Disposal Act No. 33 of 2015.

Disposal Cost “Disposal cost” is the cost of removing a product after its usefulness has ended, including costs to the Council, dismantle, make environmentally safe, transport and dump. If the products are sold and the proceeds from the sale exceed the other costs of disposal, the product will have a disposal value that reduces the life-cycle cost.

Donation's “Donation” means a gift or a contribution; as defined under section 47 of the PFM Act, 2012

Fair Value “Fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Assets “Financial assets” refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. Examples of financial assets include cash, equity instruments of other entities held by the entity, a contractual right to receive cash or another financial asset from another entity.

Intangible Asset “Intangible asset” is an identifiable non-monetary asset without physical substance.

Impairment loss of a cash-generating asset “Impairment loss of a cash-generating asset” is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Impairment loss of a “Impairment loss of a non-cash-generating asset” is the **non-cash-generating asset** amount by which the carrying amount of an asset exceeds its recoverable service amount

Net Book Value “Net Book Value” is the cost, fair value or revalued amount of an



DEFINITION OF TERMS

asset after deducting any accumulated depreciation and accumulated impairment losses. This is usually the carrying amount in the financial statements.

Useful Life “Useful life” is: The period over which an asset is expected to be available for use by an entity.

Residual Value “Residual value” of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

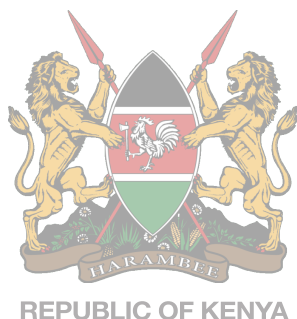
Usage of Asset “Usage of asset” is an assessment of how intensively an asset is used based upon its design specifications. Use may be classified as expected, excessive or under-utilized.

Value for Money “Value for money” means the undertaking by a procuring entity that results in a benefit accruing to that procuring entity defined in terms of cost, price, quality, quantity, timeliness and risk transfer

Accounting Officer The Chief Executive Officer/Secretary

The Act Public Finance Management Act, 2012

The terms used in this Policy which are used in the Constitution, existing laws and regulations and, internationally recognized accounting standards shall have the same meaning as they are used in this Policy



1.BACKGROUND AND MANDATE

1.1 Background

Asset management is a systematic process of planning, acquiring, operating, maintaining, and disposing of assets in the most cost-effective manner including all costs, risks, and performance attributes. CLE is committed to using its assets to effectively and efficiently give services to various stakeholders in line with the CLE mandate.

1.2 The Mandate

The CLE mandate is outlined in the Legal Education Act Cap. 16B Laws of Kenya as follows:

- 1) Regulate legal education and training in Kenya offered by legal education providers;
- 2) License legal education providers;
- 3) Supervise Legal education providers;
- 4) Advise the Government on matters relating to legal education and training;
- 5) Recognise and approve qualifications obtained outside Kenya for purposes of admission to the roll; and
- 6) Administer Advocates Training programme examination;

1.3 Governance Status

Council of Legal Education is a state corporation created under the State Corporation Act Cap 446. CLE was operationalized as an autonomous entity following the enactment of the Legal Education Act Cap. 16B Laws of Kenya. The current organizational structure of the Council can be broadly categorized into two tiers which comprises of Council and the Management. The Council is headed by a chairperson appointed by the President.

Management of CLE is headed by the Chief Executive Officer who is also secretary to the Council. The management of CLE is structured from the office of CEO to the various, Directorates, Divisions, Sections, and Units. The CEO is responsible for the day-to-day operations of the Council.

1.4 Vision

Innovative legal professionals transforming society.



1.BACKGROUND AND MANDATE

1.5 Mission

To ensure quality legal education through responsive regulation and administration of Bar examination.

1.6 Core Values

The Core Values of the Council are;

- (a) Accountability: We operate openly and are responsible for our actions in our undertakings.
- (b) Excellence: We aim to be the best and produce high-quality results in everything we do.
- (c) Integrity: We will do the right things all the time, and our actions will be based on honesty and strong moral principles.
- (d) Inclusiveness: We will foster a culture of belonging and always integrate diverse perspectives and experiences in everyday practices while recognizing and promoting diversity.
- (e) Innovation: The execution of our mandate is driven by the desire to craft fitting and creative solutions to current and future challenges.

1.7 Rationale of The Policy

- a. To comply with the Constitution;
- b. To comply with State Corporation Act cap 446;
- c. To comply with PFMA, 2012 and Regulations 2015;
- d. To comply with guidelines on Asset Management in the Public Sector, 2020.

1.8 Objectives of the Policy

- 1) To ensure accurate recording of asset information and asset movement.
- 2) To ensure compliance with the Council's asset management guidelines and other relevant policies with respect of the management of assets as well as in the operations of the Council.
- 3) To ensure the effective and efficient control, utilization, optimization of usage, safeguarding, and management of the Council's assets.



1.BACKGROUND AND MANDATE

- 4) To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the Council.
- 5) To prescribe the accounting treatment of assets acquired and used per the applicable accounting standards and CLE policies.
- 6) To prescribe the administrative guidelines and internal control procedures to be followed in the control of assets with regard to the management of those assets.
- 7) To ensure that fixed assets are acquired, written off, and disposed of with proper authorization.
- 8) To ensure that preventive measures are in place to eliminate all associated risks including theft, loss, and misuse.
- 9) To ensure the accuracy of the depreciation charge.
- 10) To establish formal procedures to ensure that fixed assets and financial policies are complied with in respect to asset management.
- 11) To ensure that all assets have a fixed location which is also entered in the fixed asset register.
- 12) To provide guidance in determining the treatment of various classes of assets.
- 13) To provide guidance on the treatment of donated assets
- 14) To provide guidance on the disposal of assets in line with the applicable regulations.
- 15) To ensure accurate valuation of assets
- 16) To ensure security of assets acquired

1.9 Purpose

- a. The purpose of the Asset Management Policy (AMP) is to govern the management of assets owned by the Council to ensure that they are managed, controlled, safeguarded and used in an efficient and effective and manner and in compliance with the relevant policies and guidelines.
- b. The policy will also facilitate the management of assets both operationally and financially (accounting treatment).



1.BACKGROUND AND MANDATE

1.10 Scope and Application

This policy will apply to all aspects of fixed assets management of the Council related to;

- a. Asset categorization, coding, and recording;
- b. Capitalization of the assets;
- c. Methods of depreciation and impairment of assets;
- d. Timing for valuation and revaluations;
- e. Procedures for retirement, writing and disposal of the assets.

This Policy shall ;

- a) Apply to all CLE fixed assets acquired with funding from the Council, the Government of Kenya, or other external sources, and by gift or loan.
- b) Apply only in respect of management of the Council's fixed assets specifically land, buildings, plant, equipment, furniture, software, goodwill, and other assets of an enduring nature which are owned and controlled by the Council.
- c) Use the term asset in reference to fixed asset whose economic benefit to the Council exceeds one year
- d) The Council shall have in place the following policies, processes and procedures should be in place to ensure an effective and efficient asset management system.

1.11 Interpretation and Enforcement

The policy was prepared in consideration of the following key legislations, standards and regulations

- a. The Constitution of Kenya, 2010;
- b. Legal Notice No. 147 of 2015;
- c. The Land Act, 2021;
- d. Public Finance Management Act, 2012;
- e. Public Audit Act, 2015;
- f. Public Procurement and Asset Disposal Act, 2015;



1.BACKGROUND AND MANDATE

- g. Public Officer Ethics Act 2003;
- h. Council of Legal Education CLE, Internal Control Systems;
- i. CLE Operations Manuals;
- j. CLE notices, circulars and instructions currently in operation;
- k. International Public Sector Accounting Standards (IPSAS);
- l. Legal Education Act Cap. 16B Laws of Kenya
- m. General Guidelines on Asset and Liability Management in the Public Sector, 2020



2. PLANNING

2.1 Introduction

CLE shall use effective planning in all asset management cycle phases, this will help in;

- a) Assessing the practical sufficiency of existing assets
- b) Ensuring resources are available when necessary
- c) Recognizing excess or under-performing assets;
- d) Estimating options for asset provision and funding asset acquisition; and
- e) Ensuring that assets are maintained and can be adequately accounted for.

2.2 Objectives for asset planning

The objectives of asset planning are to:

- 2.2.1 Apply life cycle approach to the CLE management of its assets ensuring that asset Investment/procurement decisions occur to support service delivery objectives and programmes;
- 2.2.2 Ensure that assets are managed efficiently, effectively and sustainably; and
- 2.2.3 Ensure that retirement of assets achieve the best return.

2.3 Integrated Planning

Planning for assets shall be linked to the broader strategic planning, capital budgets and operating budgets of CLE.

2.3.1 Budget process

Each Head of Directorate/Division (HOD), acting in consultation with the Head of Finance and Accounts (HoFA) shall;

- 2.3.1 Prepare an annual budget for the acquisition and maintenance of assets.
- 2.3.2 Ensure reasonable provision is made for the depreciation of all applicable assets controlled or used by the Council or expected to be controlled or used during the ensuing fiscal year



2. PLANNING

- 2.3.3 Ensure reasonable provision is made for the replacement of all applicable assets controlled or used by the Council.

2.4 Budgeting for Non- financial assets

Before an asset is included in the budget for approval, the CEO shall cause to be prepared the following:

- 2.3.4 The preliminary or conceptual design and specification of the asset;
- 2.3.5 The projected cost over all the financial years until the asset is operational, and the inclusion of the asset in the development plan and future budgets;
- 2.3.6 The future operational costs and revenue on the asset, including maintenance and taxes;
- 2.3.7 The financial sustainability of the asset over its life including revenue generation and subsidization requirements;
- 2.3.8 The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- 2.3.9 all preliminary costing-projected timeframes, cash flows and other requirements and alternatives to the asset purchase in question.

2.5 Considerations prior to acquisition

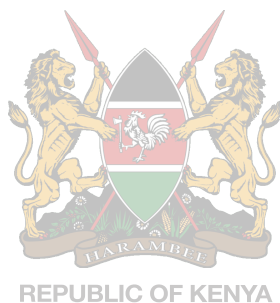
CLE shall consider the following fundamental principles prior to acquisition of non-financial assets:

- 2.5.1 The purpose for which the asset is required in line with the objectives of CLE and will provide significant benefit;
- 2.5.2 The asset has been budgeted for;
- 2.5.3 The future annual operations and maintenance costs have been calculated and budgeted for in the operations budget;
- 2.5.4 The purchase is necessary as there is no alternative asset to be upgraded or adapted;



2. PLANNING

- 2.5.5 The asset meets the task or requirement and is cost-effective over its useful life;
- 2.5.6 The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
- 2.5.7 Space and other necessary facilities to accommodate the asset; and
- 2.5.8 The most suitable and appropriate type, brand, model, etc. has been selected.



3. ACQUISITION

3.1 Introduction

- 3.1.1 The service delivery requirements shall be met by the outright acquisition of new assets and shall meet the efficient, effective, and value-for-money considerations.
- 3.1.2 Procurement of assets shall be guided by the PPAD Act, 2015 regulations, Council's Supply Chain Management Manual, as well as other legislations.
- 3.1.3 All assets shall be procured according to CLE approved procurement Plan
- 3.1.4 The time frame for the acquisition process/project start date, the timing and the amount of required capital outlays shall be considered and included in CLE development and annual plans as well as medium-term budgets. Expenditure on capital projects shall be approved through the budget process.
- 3.1.5 In some instances, CLE may outsource aspects of service delivery to third parties.

3.2 Acquisition plans

- 3.2.1 This is a key document for the acquisition of all major assets and links service delivery requirements to assets required. The plan feeds directly into the CLE procurement plan and budget.
- 3.2.2 The CEO shall cause to be prepared detailed plans for significant acquisitions. This shall include:
 - 3.2.2.1 A statement of need and acquisition rationale;
 - 3.2.2.2 Roles and responsibilities of personnel required to manage the acquisition;
 - 3.2.2.3 Activities required in the acquisition such as contract management, technical, legislative, and management considerations;
 - 3.2.2.4 Acquisition timeframes and key decision points;
 - 3.2.2.5 Timing and amounts of capital Outflows;
 - 3.2.2.6 Indicative life-cycle costs; and
 - 3.2.2.7 Monitoring and other control processes to ensure that acquisition occurs as intended.

3. ACQUISITION

3.3 Ways of acquiring non- financial assets

- 3.3.1 CLE may acquire Non-financial assets in various ways. The CEO shall consider the most cost-effective way and its value for money. The ways are as below;
- 3.3.2 Acquisition involving consideration -This is where assets are obtained through purchase or construction/ developments/ trade-ins.
- 3.3.3 Acquisition at no cost or for nominal consideration - contributed or donated assets, including inter-agency transfers.
- 3.3.4 Assets not previously recognized but subsequently identified through revaluation, asset counts or other processes. These assets may have been originally purchased, constructed, contributed, or donated.
- 3.3.5 Assets leased from government entities, non-governmental entities, or individuals.

3.4 Acquisition of Assets

- 3.4.1 This process shall be followed when assets are acquired in accordance with the Council's Supply Chain Management Manual and Procedures. This shall apply to all the types of Council's assets that will be procured from time to time.
- 3.4.2 Relevant HODs upon confirmation from the approved procurement plan and budget shall then commence the procurement process. Procurement procedures shall be followed as guided by public procurement and asset disposal Act 2015, regulations and other relevant guidelines.

3.5 Received Donated non -financial assets

- 3.5.1 This is a gift or contribution that has been granted to CLE by a third party without consideration.
- 3.5.2 Donated assets shall be valued at fair value, reflected in the asset register, and depreciated as other assets. The fair value of the asset becomes the cost of the asset at that date.
- 3.5.3 All donated assets must be approved by the CEO prior to acceptance.
- 3.5.4 The CEO must evaluate and document the future operational costs of a



3. ACQUISITION

donated asset and the effect it might have on future tariffs and taxes, before a donated asset is accepted by CLE.

- 3.5.5 The conditions associated with a donated asset must be agreed upon and signed by the CEO
- 3.5.6 No development or improvements can be made on gifted assets before formal transfer of ownership to CLE is completed.
- 3.5.7 The CLE shall obtain necessary documents of ownership for all donated assets
- 3.5.8 CLE shall consider conditions and guidelines under the PFM Act, 2012, Regulations for receiving grants and donations.

3.6 Decision to lease or acquisition involving consideration

3.6.1 Leasehold Assets

- 3.6.1.1 Leases are transactions that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity.
- 3.6.1.2 Assets held under lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.
- 3.6.1.3 Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.
- 3.6.1.4 Finance charges are recognized as finance costs in surplus or deficit.
- 3.6.1.5 An asset held under lease is depreciated over its useful life.
- 3.6.1.6 Where an asset is leased, the details thereof shall be recorded in the lease register including:
 - a) Lease, start and completion dates;
 - b) First-instalment date;
 - c) Asset-fair value;

3. ACQUISITION

- d) Implicit interest rate; and
- e) Lease payments.

3.7 Outsourcing arrangements

3.7.1 Outsourcing aspects of service delivery to third parties eliminates the need for CLE to acquire assets. Some advantages of outsourcing may include:

- a. Lower service delivery costs;
- b. Access to skills, experience, and the latest technology; and
- c. A release of internal resources to focus on core service delivery objectives, possibly leading to better quality and more efficient service delivery

3.7.2 In deciding whether to outsource a service delivery, CLE shall consider a number of matters including:

- 3.7.2.1 The ongoing viability of the outsourced service provider;
- 3.7.2.2 The costs and benefits of outsourcing;
- 3.7.2.3 Existing in-house skills, resources and expertise and whether the outsource service provider can replicate these;
- 3.7.2.4 The risks associated with outsourcing, including the loss of corporate knowledge and the impact on business continuity; and
- 3.7.2.5 The extent to which highly sensitive and protected information may need to be disclosed to the outsourced service provider.

3.8 Acquisition of immovable property

3.8.1 CLE shall acquire Land and buildings upon approval by the National Treasury, in consultation with the National Land Commission and/or the Ministry responsible for housing as applicable.

3.9 Approval to acquire non-financial assets

3.9.1 Funds shall only be invested in a non-financial asset or project if:

- 3.9.1.1 They have been appropriated in the budget;
- 3.9.1.2 The project, together with the total project cost based on viability



3. ACQUISITION

assessment has been approved by the CEO and Council as appropriate; and

- 3.9.1.3 The CEO confirms that funding is available for that specific asset or project

3.10 Funding of non-financial asset acquisitions

- 3.10.1 Within the Council's ongoing financial, legislative, or administrative capacity, the CEO shall establish and maintain the funding strategies that optimize the Council's ability to achieve its strategic objectives as stated in the development plan.
- 3.10.2 The funding strategy shall consider available sources of finance.
- 3.10.3 Before a decision is made to acquire an asset, the acquisition plans that have been prepared shall be checked to ensure that the budget has been incorporated.
- 3.10.4 In cases of funding acquisition of assets by means of loan, the term of the loan shall not be longer than the useful life of the assets they are used to acquire, unless with the approval of the National Treasury.

3.11 Handover of Project Assets

- 3.11.1 Regulation 74(6) of the PFM (National government) Regulations, 2015 stipulates that the CEO shall:
 - 3.11.1.1 Cause to be kept and maintain proper books of accounts and records in respect of all projects and donations;
 - 3.11.1.2 Ensure that whenever projects are completed, the project assets including buildings, plants, vehicles, furniture, fittings, and equipment are properly recorded and handed over to the CEO in accordance with the financing agreement;
 - 3.11.1.3 Where no time frame is provided for the project, ensure that the assets are handed over within three months from the date of the closure of the project; and
 - 3.11.1.4 In the absence of any instructions to the contrary, any unexpended balance standing in the credit of the project account shall be paid into the Consolidated Fund.



3. ACQUISITION

- 3.11.2 The project asset ownership documents shall be legally transferred and registered in the name of the Council.

3.12 Work-in-progress

- 3.12. This refers to partially completed goods/works that are still ongoing. These items do not include raw materials or finished goods. This shall include assets under construction but not yet completed.
- 3.12.1.1 It relates to the construction of an asset including all costs incurred for the construction of assets not yet placed in service. When Council constructs a depreciable asset for its own use, all direct costs shall be included in the total cost of the asset. Fixed overhead costs shall not be included unless they are increased by the construction of the asset;
- 3.12.1.2 Where a project uses a phased approach, it has distinct, multiple, completely self-contained phases that shall be brought into production or use at different points of time. When determining the allocation of project costs in a phased project (e.g., customized software), the following shall be considered
- 3.12.1.3 Project costs transferred to a related asset when it is ready for use (i.e. completed but not yet brought into use). These shall be initial costs that must be incurred in the initial phase before any other phase can be completed.
- 3.12.1.4 Project costs transferred to a related asset when it is brought into use (e.g.brought in to production, rolled-out with staggered implementation dates). These shall be costs incurred in each phase that has been completed but do not include initial costs associated with the initial phase.
- 3.12.2 Once an asset is ready for its intended use, it shall be transferred to the corresponding non-financial asset account and depreciated over its estimated useful life.
- 3.12.3 Project costs that are incurred subsequent to the transfer from Work-in-Progress to Asset may be added to the acquisition cost of the asset, if they enhance the useful life of that asset.
- 3.12.4 If an incomplete project is terminated or put on hold indefinitely, any costs currently recorded as Work-In-Progress shall be written off.

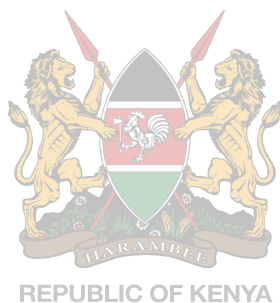
3. ACQUISITION

3.12.5 CLE shall assess the assets held in the Work-In-Progress register for impairment on annual basis to ensure the authenticity of values disclosed.

3.12.6 CLE shall maintain a Work-In-Progress register for each category of assets which shall be submitted to the National Treasury quarterly.

3.13 Date of Acquisition

3.13.1 This date shall be deemed to be the time when legal title and control passes to CLE. For assets that are acquired over time, the date of acquisition shall be the date when the asset becomes operational.



REPUBLIC OF KENYA



4. OPERATIONS AND MAINTENANCE

This is a continuous process for improving the availability, safety, reliability and longevity of physical assets (i.e. systems, facilities, equipment and processes). Asset maintenance may be either corrective or preventive. The operation and maintenance phase involve the management of an asset, used in the delivery of services.

Maintenance serves two key purposes:

- a) refurbishment: the restoration of an asset to a required benchmark for its useful life to be achieved; and
- b) enhancement: to increase an asset's service potential.

The CEO is responsible for ensuring that CLE resources are utilized effectively, efficiently, economically and transparently.

Throughout the time of the asset, the CEO shall ensure appropriate maintenance and monitoring of asset performance to meet the asset's operational requirements.

4.1 Operation plans

This refers to an outline of how the asset is expected to meet the service delivery plan of an entity.

4.1.1 The CEO is responsible for ensuring that CLE operation plans are prepared and enforced.

4.1.2 An operations plan shall entail:

- a) asset performance measures;
- b) asset condition;
- c) physical security and safeguarding;
- d) depreciation;
- e) finance costs;
- f) operating costs such as running and cleaning costs;
- g) employee costs where specialist staff are required to operate an asset;
- h) maintenance costs; and
- i) Significant disposal costs.

4.1.3 An operation plan complements the acquisition, maintenance, and disposal plans and details the operational aspects of an asset based on its life cycle.



4.2 Maintenance plans for Non-financial asset

- 4.2.1 The Head of Human Resource & Administration shall ensure that a maintenance plan in respect of every new asset is promptly prepared and submitted to the CEO for approval. Plans will also be developed for other classes of assets.
- 4.2.2 The Asset Management Committee shall submit annual reports to the CEO by the end of the year on the progress in complying with the maintenance plan. The effect of any non-compliance on the useful operating life of the asset should also be reported.

4.3 Physical receipting of non-financial assets

- 4.3.1 The CEO shall ensure that the purchase of non-financial assets complies with the PPAD Act, 2015, and related regulations.
- 4.3.2 The HoSCM shall ensure that all assets acquired are inspected and accepted by the inspection and acceptance committee.
- 4.3.3 Each employee shall ensure that all assets received into their stewardship are appropriately safeguarded from inappropriate use or loss.
- 4.3.4 Non-financial assets shall be appropriately utilized for their intended purpose.
- 4.3.5 Mechanisms for appropriate control over the physical access to the assets and regular asset verification shall be carried out to ensure that losses have not occurred.
- 4.3.6 The HoSCM shall ensure that assets received into the stores are appropriately recorded in the stores' records-maintained CLE.
- 4.3.7 The HoFA shall be responsible for registering the asset into the asset register upon receipt and assignment of the asset to the appropriate user.
- 4.3.8 All CLE assets shall be identified and tagged.

4.4 General maintenance of non-financial asset

- 4.4.1 Each employee shall be directly responsible for ensuring that all assets under their responsibility are properly maintained.
- 4.4.2 The Head of Human Resource & Administration shall take responsibility for the control and utilization of assets, monitor maintenance actions, and



budget for the operation and maintenance needs of each asset or class of assets.

Operating expenses shall include all labor and material costs for the repair and maintenance of the assets.

4.5 Management of portable and attractive items

4.5.1 These are non-consumable items that have values below the asset recognition threshold and are, by their nature, susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale. Such items, termed portable and attractive, may include programmable calculators, cameras, power tools, ladders, power banks, hard disks, tablets, phones, laptops and like items. The Council shall set a threshold of Kshs. 50,000/- for an item to be recognized as a non-financial asset.

4.5.2 The CEO is responsible for ensuring that portable and attractive items are physically controlled, accounted for, and managed appropriately.

4.5.3 The Head of Human Resource & Administration shall monitor all instances where portable and attractive items leave the control of CLE by way of an asset sign-out register.

4.5.4 The requirements to manage attractive items include:

- a) Receipting these items through specified control points.
- b) Maintaining and updating attractive items register for these receipts.
- c) Delivery and assignment of an attractive item to a specified position;
- d) Regular stock takes by the assigned person to ensure these attractive items are being appropriately safeguarded;
- e) Regular audits to ensure attractive items are being appropriately managed by the assigned persons;
- f) Recording and reporting of any disposal or loss of these attractive items to the CEO and adjustment of the attractive items register.

4.5.4.1 Attractive items will not be:

- a) Capitalized as an asset,
- b) Depreciated,
- c) Revalued or tested for impairment,
- d) Otherwise treated as a Non-current asset

4. OPERATIONS AND MAINTENANCE

- 4.5.5 Portable and attractive items shall be tagged for identification purposes and recorded at cost in the Portable and attractive items register.
- 4.5.6 On exiting CLE service, an officer shall hand over all portable assets under their custody to the CEO.
- 4.5.7 On disposal, the CEO, in liaison with the Committee, shall determine the reserve value for sale to interested parties. Officers who wish to purchase such portable assets can do so as long as they pay the reserve price determined for each item.

4.6 Insurance of non-financial assets

- 4.6.1 CLE shall insure its assets inclusive of motor vehicles, buildings, equipment, and cash in transit. All insurance covers shall be procured competitively and in compliance with the relevant regulations.
- 4.6.2 HoHR&A shall arrange for the timely acquisition of insurance coverage and renewal of all insurance policies to ensure that they are budgeted for and adequately protected.
- 4.6.3 All motor vehicles shall have comprehensive insurance covers. In all cases, the insurance cover shall be renewed promptly on expiry.

4.7 Asset identification/ tagging

- 4.7.1 All CLE Movable assets will be identified using a unique and un-erasable identification including barcode system, attaching a tag to each item among others.
- 4.7.2 Intangible assets shall be issued with a unique identification reference and the same included in the asset register.
- 4.7.3 CLE Immovable assets will be identified using an accurate description of their physical location (including Geographic Positioning System (GPS) readings) and attributes such as acreage, user and registration number.
- 4.7.4 The tag must be conspicuously placed and accessible. The tag should be placed in an area where the number can be easily seen and identified without disturbing the operation of the item.
- 4.7.5 In cases where tags fall off or are otherwise separated from the asset, the tags must be replaced immediately. The replacement tag must have the same number as the original tag.



4. OPERATIONS AND MAINTENANCE

4.8 Asset coding

The code/tag shall be segmented as follows:

4.8.1. Segment 1- Shall take 3 characters identifying the institution i.e CLE

4.8.2 Segment 2- Shall take:

- (i) Location
- (ii) Directorate/Division/Unit

4.8.3 Segment 3- shall take 4 characters identifying the item

Example: A printer in the Deputy Director of Finance & Accounts Office, Finance & Accounts, Division shall be coded and tagged as follows:

CODE: CLE/FIN/W205/CE/02

Where W is the Office Wing, CE is Computer Equipment and 02 is the printer number, which is auto generated

4.9 Asset Tagging

Tagging shall be done to identify assets as belonging to the CLE.

4.9.2 The importance of tagging is to:

- (i) Provide an accurate method of identifying individual assets;
- (ii) Assist in taking of the physical inventory;
- (iii) Control the location of physical assets;
- (iv) Aid in the maintenance of fixed assets.

4.9.3 The tag number is entered in the asset master record at the point of tagging by the officer in charge of asset tagging. The asset tag itself will be issued by HSCM to the assignee (with responsibility for the asset) for attachment to the asset.

4.9.4 Even though non-movable, capitalized assets are not tagged, the asset number shall be recorded but not physically attached to the asset.

4.9.5 All assets shall be tagged.

4.10 Physical security of tangible assets

4.10.1 Reasonable security shall be provided to restrict the access of unauthorized persons to assets to prevent abuse, damage, and theft. Where appropriate,



4. OPERATIONS AND MAINTENANCE

security measures including physical locks, patrols, cameras, alarms, biometric access, stock takes and physical access restrictions will be utilized, and staff will at all times be responsible for the appropriate use and storage of assets provided to them;

4.10.2 Tagging is used to clearly identify the assets of CLE;

4.10.3 CLE property shall not be used for private purposes;

4.10.4 Officers and employees shall return all CLE assets in their possession as part of their clearance upon separation from CLE whether through retirement, dismissal, end of contract of employment and/or resignation;

4.10.5 Standard operating procedures shall be developed with respect to security arrangements for assets.

4.10.6 There shall be adequate security awareness and training.

4.10.7 All physical assets must be properly stored and protected. Physical security over all assets must be such that the threat of unauthorized access or the impact of environmental or other hazards is reduced to a minimum level, given the possibility of a threat occurring and the cost of disruption to CLE operations if it did.

4.11 Protecting and securing intangible assets

CLE shall protect and secure intangible assets through:

4.11.1 Identification of existing intangible assets;

4.11.2 Registration of the intangible assets, as applicable;

4.11.3 Use of access controls to technology-based intangible assets including passwords and user right allocations;

4.11.4 Monitoring of trends in technology and ensure relevant updates; and

4.11.5 Proper filing of documents relating to intangible assets for verification purposes.

4.12 Hire of non-financial Government assets

4.12.1 Hiring of non-financial assets shall always be undertaken in accordance with the prevailing regulatory guidelines.



4.13 Internal movement of assets

- 4.13.1 The location of moveable assets shall not be changed within CLE Unless with the written approval of the CEO.
- 4.13.2 The movement of assets within CLE shall be promptly updated in the fixed assets register, with respect to the location and officer responsible.

4.14 Asset recording - Fixed Assets Register

- 4.14.1 The CEO is responsible for establishing and maintaining an asset register or database to demonstrate the physical management of the assets as prescribed by the relevant laws.
- 4.14.2 The CEO shall ensure that the asset register containing key historical and financial data on each item of asset that satisfies the criterion for recognition, is established and maintained.
- 4.14.3 The CEO shall be responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers.
- 4.14.4 CEO shall keep or cause to be kept proper books recording all the property, undertakings, funds, activities, contracts, transactions and other business of the CLE.
- 4.14.5 The asset register is a cornerstone of an asset management framework that keeps asset information as well as a historical record of both financial and non-financial information over each asset's life cycle for the purposes of:
 - a) Information for compliance with accounting standards and other regulatory requirements;
 - b) Asset planning;
 - c) Monitoring performance; and accountability
 - d) The current condition of assets;
 - e) When assets need to be replaced;
 - f) Asset locations and asset custodians;
 - g) The level and frequency of asset maintenance programs; and;
 - h) Life-cycle costs by asset and program
- 4.14.6 The CEO shall take into account the following important aspects of internal controls over the asset register:

4. OPERATIONS AND MAINTENANCE

- 4.14.6.1 Provide accurate, reliable, and up-to-date account of assets to the standards specified by the regulatory requirements and other government Requirements
- 4.14.6.2 Controls over the physical management and recording of all acquisitions, assignments, transfers, losses, and disposals of assets as well as regular stock-takes and systems audits to confirm the adequacy of their controls.
- 4.14.6.3 The asset registers shall be continuously updated and, asset accounting records should be reconciled to the general ledger on a monthly basis.
- 4.14.7 A register for assets with third parties for repairs, service shall be maintained with such details as service provider, date asset taken for service, and its expected date of return.

4.15 Recording - Format of Asset register

- 4.15.1 The format of the asset register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets.
- 4.15.2 The non-financial assets register shall be maintained in the format determined by the Accounting Officer, which format shall comply with accounting and legislative requirements that may be prescribed.
- 4.15.3 The fixed asset register shall at least reflect the following information:
 - 4.15.3.1 General information
 - a) A brief but meaningful description of each asset;
 - b) The date on which the asset was acquired or brought into use;
 - c) The purchase/ original cost, the revalued amount and/or the fair value if no costs are available;
 - d) Supplier details
 - e) Payment Voucher number;
 - f) Make or model of asset;
 - g) Serial Number, where applicable - (For motor vehicles this should be the Engine and Chassis numbers);
 - h) The location of the asset;
 - i) Officer responsible;

- j) The tag number;
- k) The title deed number, in the case of fixed property;
- l) The stand/portion number, in the case of fixed property;
- m) The source of financing;
- n) Status/condition of the asset;
- o) The date on which the asset is disposed of; and
- p) The date on which the asset is retired from use, if not disposed of.

4.15.3.2 Accounting information

- a) Accumulated depreciation;
- b) The depreciation charge for the current financial year;
- c) The carrying value of the asset;
- d) The method and rate of depreciation as prescribed by the guidelines;
- e) The (last) revaluation date of the fixed assets subject to revaluation;
- f) The revalued value of such fixed assets;
- g) Impairment losses incurred during the financial year (and the reversal of such losses, where applicable); and
- h) The disposal price.

4.15.4 All heads of divisions under whose control any asset falls shall promptly provide in writing to the CEO any information required to compile the asset register and, shall promptly advise the Accounting Officer in writing of any material change which may occur in respect of such information.

4.15.5 An asset shall be capitalized, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where-after it shall be appropriately capitalized as an asset.

4.15.6 The CEO shall ensure that a defined process and format exist to update and maintain the asset register promptly.

4.15.7 An asset shall remain in the assets register for as long as it is in physical existence. The fact that an asset has been fully depreciated shall not in itself be a reason for the removal of such an asset from the register.

4. OPERATIONS AND MAINTENANCE

- 4.15.8 The proposed formats to be used for reporting the different asset categories to the National Treasury are included in Appendix.

4.16 Reconciliation of fixed asset register and accounting records

- 4.16.1 The HoFA shall prepare quarterly and annual reconciliations of the values as per the asset register and the values as per the asset accounts in the general ledger/ accounting records.
- 4.16.2 In carrying out the reconciliation, the HoFA shall ensure that:
- 4.16.2.1.1 The opening balances of cost or valuation for each category of assets as reflected in the accounting records agree with the opening balances reflected in the asset register;
 - 4.16.2.1.2 The opening balances of accumulated depreciation for each category of assets as reflected in the accounting records agree with the opening balances reflected in the asset register;
 - 4.16.2.2 All additions are reflected in the accounting records as well as the register
 - 4.16.2.3 All disposals are reflected in the accounting records as well as the register
 - 4.16.2.4 The annual depreciation charge for each category of assets agree in both the asset register and the accounting records;
 - 4.16.2.5 Variances in any of the above parameters shall be investigated and resolved. The proposed format for the Reconciliation of fixed asset register and accounting records is attached under Appendix.

4.17 Verification and condition assessment of physical assets

- 4.17.1 Verification and condition assessments of assets is an internal control mechanism that reconciles the asset register to the physical assets, to confirm that the register is a complete and accurate record of CLE's physical asset holding.
- 4.17.2 Asset condition assessments and monitoring of asset performance indicators assist CLE to optimize its asset base and make asset decisions on a consistent and reliable basis.



4. OPERATIONS AND MAINTENANCE

4.17.3 The verification and condition assessment of physical assets shall be coordinated by HoFA and the HSCM.

4.17.4 The objectives of verification and condition assessments are to:

- a) Verify the physical existence and completeness of assets recorded on the asset register;
- b) Review current useful lives and consider asset condition and asset performance indicators such as functionality, operational importance, and usage;
- c) Review inventory levels and adherence to inventory management guidance; and
- d) Assess the accuracy of details recorded on the asset register

4.17.5 Unreconciled differences shall be subject to investigation and follow-up of exceptions.

4.17.6 Once before the end of every financial year, the CEO shall appoint a committee to undertake a comprehensive verification and condition assessment of all assets controlled and/or used by CLE.

4.17.7 The resultant report shall be finalized not later than 30 June of the year in question and where appropriate, information collected on the condition shall be recorded in the asset register.

4.17.8 The assessment of the condition of assets shall be conducted in the following instances:

- a) Before the preparation of annual financial reports;
- b) In case of handover of assets by officers when leaving, and projects at closure (as of the day of handover and acceptance);
- c) In case of establishing of a case of embezzlement, misuse or impairment of assets;
- d) In case of fire or other natural disasters and emergency situations;
- e) In case of liquidation and re-organisation including mergers and acquisitions, division or restructuring of a public sector entity.

4.18 Verification assessment of intangible assets

4.18.1 Verification and assessments of intangible assets is an internal control



4. OPERATIONS AND MAINTENANCE

mechanism that reconciles the asset register to the intangible assets, to confirm that the register is a complete and accurate record of CLE's intangible asset holding.

4.18.2 The CEO shall, at least once during every financial year, undertake a comprehensive verification assessment of all intangible assets controlled and/or used by CLE.

4.18.3 The existence of intangible assets shall be ascertained through review of:

- a) Related ownership and supporting documents. Common intangible assets include software, patents, trademarks and goodwill. Most of these items arise from contractual interactions and legal filings. As such, CLE shall have substantial documentation related to their ownership.
- b) Direct correspondence with third parties involved in the creation of the assets

4.19 Valuation approaches

4.19.1 Valuation of assets shall be conducted by professional/licensed valuers.

4.19.2 In the absence of quoted prices for an identical asset, fair values shall be determined using valuation techniques that are appropriate in the circumstances and for which sufficient data is available.

4.19.3 Valuation techniques used to calculate the fair value of assets fall into either of the following approaches:

- a) A market approach;
- b) An income approach; or
- c) A cost approach

4.19.3.1 Market approach - When observable data for similar assets is available, that data is likely to represent the best indicator of the asset's fair value. For that reason, some land and general non-specialized buildings could be valued using a market approach. Where an asset is rarely traded and reliable comparisons with similar assets do not exist, other valuation approaches such as the income approach (if the highest and best use of the asset is to generate net cash inflows) or cost approach may be more appropriate.



4.19.3.2 Income approach - The income approach will generally be more relevant to assets where their highest and best use is primarily dependent on their ability to generate net cash inflows, such as buildings and heritage assets. The discounted cash flow (DCF) technique is a commonly used technique under the income approach.

4.19.3.3 Cost approach - Depreciated replacement cost (DRC) is the most common valuation technique under the cost approach. The technique reflects the cost to acquire the service potential embodied in an asset, adjusted to reflect the asset's present condition/physical deterioration, functionality and technological and/or economic obsolescence. Where the remaining service potential from the asset is assessed as having changed, this is to be taken into account in the revaluation. Adjustments to useful life may also be required.

4.20 Borrowing/loaning of assets between public entities

4.20.1 Assets may be taken away from CLE's premises only if their taking away/borrowing is authorised in writing beforehand by the CEO.

4.20.2 Requests to borrow assets are to indicate the specific need and expected period of use.

4.20.3 Where assets are routinely required to be used away from the CLE premises in the pursuit of official business of the other public entity, standing written loan arrangements shall be put in place.

4.20.4 The borrowing public sector entity has a duty of care to ensure that the borrowed asset:

- a) is not lost or damaged;
- b) is returned by the specified date; and
- c) is in good working condition.

4.20.5 The CEO shall maintain an asset sign-out register for all borrowings to record the following information:

- a) Name of the borrower;
- b) Contact details of the borrower;
- c) Description of the asset;

4. OPERATIONS AND MAINTENANCE

- d) Asset or attractive item tag number (where applicable) or equipment identifier;
- e) Date of loan;
- f) Signature of the borrower; and;
- g) Date asset is returned

4.20.6 The CEO shall sign-off on all assets borrowed by other entities.

4.20.7 Where an asset has been on loan for at least six months, the loan arrangement shall be reviewed, and consideration given to making a permanent transfer of the asset subject to the consent of both parties. If such a transfer is not agreed to, the asset should be either returned to CLE, or the loan arrangement allowed to continue with further reviews at six monthly intervals.

4.20.8 The proposed format for asset sign-out register is attached under the Appendix.

4.21 Handover of assets by officers

4.21.1 Where officers are exiting CLE service or where staff are transferred to another Division/Unit, they must complete the asset handover form in a format such as prescribed.

4.21.2 The returned asset shall be returned to the store for reallocation to another user.

4.21.3 The proposed format for handing over report is attached under the Appendix.

4.22 Monitoring of non-financial asset performance

4.22.1 Losses and write-offs of non-financial assets

4.22.1.1 Losses and write-offs of non-financial assets shall be in accordance with the provisions of section 69 of the PFM Act, 2012. This is expounded in sections 145 - 159 of the PFM (National government) Regulations, 2015.

4.22.1.2 The write-off of assets is the process of permanently removing the assets from the asset register and financial records. It is used to reflect 100 percent impairment in the value of an asset.

4.22.1.3 Write-offs of non-financial assets could be due to loss, theft,



destruction, material impairment or decommissioning of the asset in question, among others.

4.22.1.4 The disposal committee shall report to the CEO on any assets which it recommends to have written off, stating in full the reason for such recommendation.

4.22.1.5 Assets can be only be written-off by the CEO after preparation of a report by the disposal committee indicating that:

- a) The asset has no further useful life;
- b) The asset has been lost, stolen, obsolete, destroyed or damaged;
- c) The asset is outdated; or
- d) Acceptable reasons have been furnished leading to the circumstances set out above

4.23 Obsolescence

4.22.2 Obsolescence is the state of being which occurs when an object, service, or practice is no longer wanted even though it may still be in good working order. Obsolescence frequently occurs because a replacement has become available that has, in sum, more advantages compared to the disadvantages incurred by maintaining or repairing the original.

4.22.3 Obsolescence can be functional, economic and physical.

4.22.4 Functional obsolescence occurs when an asset loses value, for example, the loss of value by a building due to its architectural design, building style, size, outdated amenities, local economic conditions, and changing technology.

4.22.5 Economic obsolescence occurs when an asset loses value because of external factors. For a building, this could be due to local traffic pattern changes or the construction of public nuisance-type properties and utilities such as slum structures, and sewer treatment plants on adjoining property.

4.22.6 Physical obsolescence occurs when an asset loses value due to gross mismanagement and physical neglect resulting in deferred maintenance that is usually too costly to repair.

4.22.7 If an asset is obsolete and beyond economic repair, but there is still need for continuation of services provided by the asset, a decision must be taken to either replace the asset (funds permitting) or to curtail delivery of services



4. OPERATIONS AND MAINTENANCE

until funds for replacement are available. If funds for replacement are not readily available, it may also be necessary to repair the asset in order to continue providing services and, planning its replacement in a future financial year.

4.22.8 The CEO is responsible for ensuring that assets are assessed for obsolescence and subsequent action.

4.24 Assets hand-over after project closure/ closure of government entities

4.22.9 All project assets shall be reported to the National Treasury annually. The CEO shall be responsible for ensuring that all project assets are correctly identified, recorded and reported.

4.24.2 After completion of a project, a proper closure procedure shall be carried out as part of the tasks. The CEO shall cause the physical counts of fixed assets to be carried out and update the fixed asset list before the assets are handed over to become the property of CLE.

4.23.3 The project assets received by CLE shall be recorded in the books using book values as recorded in project records or at fair value.

4.23.4 The project assets, which were procured under a grant, will be transferred to the public sector entity under which the project was implemented.

4.23.5 The CEO shall prepare an official transfer letter of assets from the project giving CLE custody of the assets and notifying the National Treasury of the additional assets in the National Government fixed assets register.

All assets shall be registered with the Cabinet Secretary to the National Treasury.



5. DISPOSAL OF ASSETS

5.1 Introduction

- 5.1.1 Non-financial assets shall be disposed as per Parts VI and XIV of the PPAD Act, 2015, and Public Procurement and Asset Disposal regulations 2020.
- 5.1.2 Section 13 of the State Corporations Act, Cap 446, also provides guidelines on the disposal of assets for state corporations.
- 5.1.3 If an asset is to be disposed of in 6 months, the maintenance strategy should be adjusted accordingly to avoid incurring unnecessary costs.
- 5.1.4 Where assets have been identified as under-performing, or no longer functionally suited for service-delivery needs, consideration shall be given to the possible disposal alternatives or methods.
- 5.1.5 Assets should be disposed of preferably, on "as is, where is" basis and CLE shall endeavor to obtain the most advantageous return from sales/ disposal of its property.
- 5.1.6 All assets identified for disposal shall be efficiently and properly secured to avoid the risk of theft or misappropriation while waiting for disposal processes to be initiated.

5.2 Disposal committee

- 5.2.1 The CEO shall establish a disposal committee for the disposal of unserviceable, obsolete, or surplus stores, equipment, or assets.
- 5.2.2 The disposal committee shall be responsible for the verification and processing of all disposal recommendations in liaison with the HoSCM function as prescribed.

5.3 Disposal procedure

- 5.3.1 The officer in charge of unserviceable, obsolete, or surplus assets shall bring the matter to the attention of the disposal committee through the head of Supply Chain Management within a reasonable time after the assets become unserviceable, obsolete, or surplus.
- 5.3.4 There shall be a technical report where appropriate by a relevant expert of the subject items for disposal that takes into account the real market price and in so doing, the technical expert shall set up a reserve price which shall be the minimum acceptable price below the real market value of the boarded items.



5. DISPOSAL OF ASSETS

- 5.3.5 Subject to prescribed restrictions, the disposal committee shall meet within the prescribed period to conduct a survey and review the items, while considering the technical report and recommend the best method of disposal to the CEO.
- 5.3.6 The CEO shall disclose the reserve price to the prospective tenderers based on the technical report and prices.
- 5.3.7 Where there is no responsive bidder, the CEO shall have powers based on the recommendations of the disposal committee to revise the reserve price to ensure expeditious disposal of assets and set it forth in the disposal documents to be known by any prospective buyer of the boarded items.
- 5.3.8 After receiving the recommendations of the disposal committee, the CEO may approve or reject the recommendation of the committee.
- 5.3.9 If the CEO approves the recommendations of the disposal committee, the assets that became unserviceable, obsolete, or surplus shall be disposed off as per those recommendations.
- 5.3.10 If the CEO rejects the recommendations of the disposal committee, he or she shall give further direction on the matter and may refer the matter back to the committee for further consideration.

5.4 Asset disposal methods

- 5.4.1 PPAD Act, 2015, Part XIV – Disposal of assets, clearly defines the asset disposal procedures and identifies the following methods of disposal:
 - a) Transfer to another public entity or part of a public entity, with or without financial adjustment;
 - b) Sale by public tender;
 - c) Sale by public auction;
 - d) Trade-in;
 - e) Waste disposal management; or
 - f) As may be prescribed by any other legislation;
- 5.4.2 Assets that are hazardous and need to be destroyed must be identified, for tenders or quotations to be obtained from professional disposal agencies for their disposal.



5. DISPOSAL OF ASSETS

5.5 Requirement for disposal of assets

The following requirements shall apply regarding the disposal of assets:

- 5.5.1 Assets needed to provide the minimum level of entity services shall not be disposed off;(rephrase this)
- 5.5.2 Following a comprehensive physical verification of fixed assets, the Disposal Committee has the responsibility to identify and recommend assets for disposal.
- 5.5.3 The disposal of the asset must be fair, equitable, transparent, competitive, and consistent with the Constitution and the PPAD Act, of 2015.
- 5.5.4 No disposal of assets can be conducted without prior authorization by the CEO.

5.6 Ground for disposal

- 5.6.1 Reasonable grounds for determining that an asset is not required for the provision of the minimum level of Government services shall include the following:
 - a) The asset was acquired specifically for resale or distribution, e.g. investment property;
 - b) The asset is impaired;
 - c) CLE no longer performs the function for which the asset was purchased
 - d) It is an immovable asset no longer located close to where the service is required;
 - e) The asset has been replaced; or
 - f) The asset no longer performs the required level of serviceother grounds include:
 - a) It reached the end of its useful life;
 - b) It is treated as a surplus;
 - c) It is considered as underperforming

5.7 Disposal planning

- 5.7.1 An asset disposal plan shall be based on approved budgets which shall be integrated with CLE strategic and operational plans.



5. DISPOSAL OF ASSETS

- 5.7.2 Significant revenues may arise from asset sales and such funds shall be handled per the National Treasury guidelines on revenue management.
- 5.7.3 The disposal of assets shall be planned for per the PPAD Act, 2015 as detailed in sections 53(4) and 53(5).
- 5.7.4 The asset disposal plan shall be in a format set out in the Regulations and shall consider:
- a) A statement of need and disposal rationale;
 - b) Roles and responsibilities of personnel required to manage the disposal;
 - c) Activities required in the disposal such as contract management, technical, legislative, and management considerations;
 - d) Disposal timeframes and key decision points;
 - e) Timing and amounts of capital inflows;
 - f) Disposal costs; and
 - g) Monitoring and other control processes to ensure that disposal occurs as intended.

5.8 Fair, equitable, transparent, and competitive disposal

- 5.8.1 The Disposal Committee shall ensure that disposal is fair, equitable, transparent, and competitive.
- a) The fair market value for different types of assets identified for disposal shall be determined, by assessing the price at which the asset is exchanged between parties in the market where the asset is traded or as determined by a licensed valuer;
 - b) Consideration shall be given to the fair market value of the asset and to the economic and community value/ intrinsic or social benefits to be received in exchange for the asset. The community value can be determined by the quantification of the value attached to an asset by a community due to cultural or historical aspects;
 - c) The disposal process shall be consistent with the Part XIV of the PPAD Act, 2015;

5.9 Disposal of land and buildings/ immovable property

- 5.9.1 Disposal of land and buildings shall require approval of the National Treasury



5. DISPOSAL OF ASSETS

in consultation with the National Lands Commission. The CEO shall submit a disposal proposal on land and buildings to the National Treasury.

5.9.2 The CEO shall submit a justification/business case for sale to the Cabinet Secretary to the National Treasury setting out the rationale and means of disposal, considering the requirements of the PPAD Act, 2015.

5.9.3 Decisions to dispose of property must take into account CLE objectives and, demonstrate delivery of the best value for money.

5.10 Donation (Giving) of public property

5.10.1 Only the Cabinet Secretary to the National Treasury may approve a donation from one public entity to another or private individuals and entities as provided for under Cabinet Secretary to the Treasury (Incorporation) Act chapter 101, Revised 2012.(rephrase)

5.10.2 Transfers from Public Sector entities to private entities shall be as per the contractual arrangements in place and applicable laws.

5.10.3 The CEO shall ensure all assets due for disposal are valued to determine a reserve price.

5.11 Segregation of duties during disposal

Section 45 (4) of the PPAD Act, 2015 requires segregation of duties in the asset disposal process by stating that all asset disposal processes shall be handled by different persons in respect of identification, consolidation, preparation of a disposal plan, pricing, and the disposal itself.

5.12 Replacement of assets

5.12.1 Assets that are replaced shall be removed from the asset register and written off at their carrying value.

5.12.2 The replacement asset shall be accounted for as a separate new asset and treated as per the acquisition guidelines.

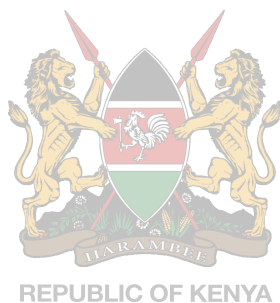
5.12.3 The Council created an asset replacement fund for renewal of depreciating assets as per the State Corporation Act 446 Part IV No. 16 Renewal of depreciating assets etc., and disposal of surplus funds that states inter alia “every state corporation shall make provisions for the renewal of depreciating



5. DISPOSAL OF ASSETS

assets by the establishment of sinking funds for contribution to such reserve and stabilization funds as maybe required”.

The Council shall seek approval for replacement of asset when using this reserve on identification of replaceable assets by the HoHR&A.



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.1 Overview

This part covers the following:

- a) Recognition
- b) Measurement at recognition
- c) Measurement after recognition
- d) Capitalization threshold
- e) Subsequent expenditure on assets
- f) Depreciation - Overview
- g) Depreciation - Residual values
- h) Depreciation - Initial determination of useful life
- i) Depreciation - Review of Useful life
- j) Depreciation - Depreciation method
- k) Depreciation - Review of depreciation method
- l) Revaluation of non-financial assets
- m) Write downs of assets
- n) Impairment of non-financial assets
- o) Accounting treatment on disposal of assets
- p) Carrying values of assets
- q) Accounting for leased assets
- r) Sale leaseback transactions
- s) Financial statement disclosures

6.2 Introduction

- 6.2.1 These are detailed in relevant IPSAS 12, 17, 31 and 43 for each category of assets in addition to other requirements that could be prescribed by the Cabinet Secretary Treasury, PSASB and other mandated body.
- 6.2.2 The sections below will act as a general accounting guide for CLE but the CEO shall make reference to the relevant accounting standards as applicable to the various categories of assets.



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.3 Recognition

An item will be recognized as a non-financial asset when:

- a) It is probable that future economic benefits or potential service delivery associated with the asset will flow to CLE.
- b) The cost of the asset can be measured reliably;
- c) CLE has control over the asset;
- d) The costs are above the capitalization threshold as stipulated in the Finance Policy and Procedure Manual;
- e) The asset is expected to be used for more than one financial year.

6.4 Measurement at recognition

6.4.1 An item that qualifies for recognition as a non-financial asset shall be initially measured at its “cost of acquisition”.

6.4.2 This “cost of acquisition” will include all costs required to bring the asset to the proper working condition and location for its intended use. These costs shall include the following;

- a) Purchase costs (less any discounts given);
- b) Delivery costs;
- c) Installation costs;
- d) Professional fees for architects and engineers;
- e) Import duties;
- f) Non-refundable taxes;
- g) Site development costs;
- h) Contractor fees; and
- i) The estimated cost of dismantling and removing an earlier asset and restoring the site.

6.4.3 Administrative and other overhead costs shall not be regarded as directly attributable costs and shall therefore not be included in the initial price. As a result, the costs related directly to the administrative process surrounding a



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

tender, such as the tender costs and advertisement costs, shall not be regarded as capital expenses.

6.4.4 The cost relating to the preliminary planning and feasibility studies of a project can only be included in the cost of acquisition if it can be reliably measured, and if it is probable that a future economic benefit or service potential will flow to CLE. CLE shall be able to prove that the project will be undertaken and that the cost is a directly attributable to the cost of bringing the asset to the working condition for its intended use.

6.4.5 When payment for an asset is above its cash price due to credit terms that are not normal, the amount paid over and above the cash price shall be recognized as an interest expense over the period of credit, and hence not included in the cost of the asset.

6.4.6 Where a non-financial asset is acquired at no cost, or for a nominal cost, (as in the case of donations and exchanges) it will be initially measured at its fair value as at the date of acquisition and included in the asset register.

6.5 Measurement after recognition

6.5.1 After initial recognition of non- financial assets, Council shall value its assets using the cost model approach, unless a specific decision has been taken to revalue a certain class of assets. In such instances the assets will be valued using the revaluation model.

6.5.1 When an asset is revalued, the entire class of assets to which the asset belongs, shall be revalued, in accordance with international accounting standards.

6.5.2 For purposes of maintenance of asset records and book values, assets shall be valued by a licensed Valuer.

6.6 Capitalization threshold

6.6.1 This is the value above which assets are capitalized and reported in the financial statements as non-financial assets as opposed to being expensed in the period of acquisition.

6.6.2 The capitalization threshold of non- financial assets will be based on specific categories of assets as provided for under CLE Finance Policy & Procedures Manual.



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.6.3 Non-financial assets with values below the prescribed thresholds will be expensed.

6.6.4 The capitalisation threshold shall not be applied to the components of an asset but shall be applied to the value of the capital asset as a whole.

6.7 Subsequent expenditure on assets

6.7.1 Subsequent expenditure relating to an item of a non-financial asset that has already been recognized shall be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery will flow to CLE.

6.7.1 All other expenditures shall be recognized as an expense in the period in which it occurred. In particular, expenses incurred in the maintenance or reinstatement of an asset that ensures that the useful operating life of the asset is attained shall be considered as operating expenses and shall not be capitalized, irrespective of the quantum of the expenses concerned.

6.7.2 Before allowing the capitalization of subsequent expenditure, the CEO must be satisfied that this expenditure:

- a) Increases the life of that asset beyond that stated in the asset register; and/or;
- b) Increases the quality of service of the asset beyond its existing level of service; and/or;
- c) Increases the quantity of services that the asset can provide; and/or;
- d) Reduces the future assessed costs of maintaining that asset.

6.8 Depreciation - overview

6.8.1 Depreciation refers to a systematic allocation of a depreciable amount of an asset over its useful life.

6.8.1 The depreciable amount of an item of non-financial assets shall be allocated over its useful life.

6.8.2 A full year depreciation is charged at the year of acquisition (at any time within the year) whereas no depreciation is charged during the year of disposal. Council shall use straight-line method of depreciation.

6.8.3 The depreciation charge for each period shall be recognized as an expense.



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

- 6.8.4 Depreciation of an asset shall begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner it is intended.
- 6.8.5 Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use, and held for disposal unless the asset is fully depreciated.
- 6.8.6 In the case of intangible assets being included as non-financial assets, the procedures to be followed in accounting for the amortization of intangible assets shall be identical to those applying to the depreciation of tangible assets.
- 6.8.7 Depreciation shall not be provided on Land.
- 6.8.8 Any Co-owned property, parties involved will sign a co-owned agreement clearly showing the proportion of ownership hence, depreciation will be shared accordingly.

6.9 Depreciation - Residual values

- 6.9.1 This is the estimated amount that CLE would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset is of age and in the condition expected at the end of its useful life.
- 6.9.2 Residual values should be determined upon the initial recognition (capture) of assets. However, this shall only be applicable to assets that are normally disposed of by selling them once CLE does not have a need for such assets anymore, e.g. motor vehicles.
- 6.9.3 The residual value of assets shall be reviewed annually at each reporting date.

6.10 Depreciation - initial determination of useful life

The Council's assets shall be depreciated as per the criteria set out below;

Asset Class	Estimated Useful Life	Depreciation Rate
a) Computer and ICT Equipment	4	25%
b) Plant and Equipment	8	12.5%
c) Motor Vehicles	8	12.5%
d) Furniture and Fittings	8	12.5%

6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.10.1 Intangible Assets

IPSAS 31 defines these as identifiable non-monetary assets without physical substance.

- 6.10.1.1 The Councils intangible asset shall be recognized if it is probable that future economic benefits shall flow to the Council over its useful life and the cost of the asset can be measured reliably.
- 6.10.1.2 The Councils Intangible assets acquired through an exchange transaction shall on initial recognition be measured at its purchase price and any attributable costs of preparing the asset for its intended use.
- 6.10.1.3 Where the Councils intangible asset is acquired through a non-exchange transaction its initial cost shall be its fair value as at the date of acquisition.
- 6.10.1.4 Intangible assets shall be classified into finite and infinite.

Councils intangible assets with a finite useful life shall be amortized over its useful life.

Councils intangible assets with an infinite useful life will not be amortized but instead will be tested for impairment annually or earlier whenever there is an indication that the intangible asset is impaired.
- 6.10.1.5 De-recognition of the intangible asset shall occur on disposal or when they cease to generate economic benefits, any losses or gains arising shall be recognized in the statement of financial performance.

Asset Class	Estimated Useful life	Depreciation rate
e) Intangible Assets	10	10%

6.11 Depreciation - Depreciation method

- 6.11.1 CLE depreciation on assets shall be charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life as follows:

$$\text{Depreciation} = \frac{(\text{Cost/ valuation} - \text{Residual Value})}{\text{Asset's useful life}}$$



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.12 Revaluation of non-financial assets

- 6.12.1 Land, buildings, infrastructure and intangible assets recorded in CLE'S asset register shall be revalued periodically. Such revaluation shall be performed by a Professional Valuer.
- 6.12.2 The CEO shall adjust the carrying value of the asset concerned to reflect in each instance the value of the non-financial asset after each valuation, provided the CEO is satisfied that such value reflects the fair value of the non-financial asset concerned.
- 6.12.3 The non-financial asset concerned shall, thereafter be depreciated on the basis of its revalued amount, over its remaining useful life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the entity or vote controlling or using the non-financial asset in question. This does not however, apply to land, which is not normally depreciated.
- 6.12.4 The CEO shall ensure that an amount equal to the difference between the new (enhanced) annual depreciation expense and the depreciation expenses determined in respect of such non-financial asset before the revaluation is transferred annually from the revaluation reserve to CLE's statement of changes in net assets. An adjustment of the aggregate transfer shall be made at the end of each financial year.
- 6.12.5 Revalued non-financial assets shall be carried in the asset register, and recorded in the annual financial statements, at their revalued amount less accumulated depreciation.

6.13 Write-downs of non-financial assets

- 6.13.1 Conditions, which may indicate a write-down is necessary, include:
- a) A change in the manner or extent to which the non-financial asset is used;
 - b) Removal of the non-financial asset from service;
 - c) Physical damage;
 - d) Significant technological developments;
 - e) A decline in, or cessation of, the need for the service provided by the asset;
 - f) A decision to halt construction of the asset before it is complete or in usable or saleable condition; or

6. ACCOUNTING FOR NON-FINANCIAL ASSETS

- g) A change in the law or environment affecting the extent to which the asset can be used.

6.13.2 Write-downs of assets shall adhere to the thresholds set out in the regulations and guidelines.

6.14 Impairment of non-financial assets

6.14.1 This is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. For example, impairment may be due to:

- a) Significant decline in market value.
- b) Carrying amount of an asset exceeds the recoverable amount or market value;
- c) The deterioration of economic performance of the asset concerned;
- d) The loss in the future economic benefits or service potential of an asset, over and above the depreciable amount (such as through inadequate maintenance)

6.14.2 The impairment amount is calculated as the difference between the carrying value and the recoverable value or the recoverable service value. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss shall be recognised as an expense when incurred unless the asset is carried at revalued amount.

6.14.3 If the asset is carried at a revalued amount (in the case of investment property, and infrastructure assets) the impairment shall be recorded as a decrease in the revaluation reserve. Where immovable non-financial surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

6.14.4 Council's Assets shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense, unless it reverses a previous



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

revaluation in which case it shall be charged to the revaluation surplus. The reversal of previous impairment losses recognised as an expense, is recognised as an income.

- 6.14.5 Where the assessed costs of holding impaired assets exceed the benefits thereof, such assets shall be considered for disposal. Impairment tests shall be carried out on an annual basis. Impairment of assets will be performed in line with IPSAS 21, 26 and IAS 36 and other appropriate financial reporting standards.

6.15 Accounting treatment on disposal of non-financial assets

- 6.15.1 An item of non-financial asset shall be eliminated from the accounting records on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service derived.
- 6.15.2 Proceeds arising from the retirement or disposal of non-financial assets shall be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset and, shall be recognised as revenue or expense in the statement of financial performance.
- 6.15.3 If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of financial performance of CLE. If the proceeds of the disposal, on the other hand, are more than the carrying value of the non-financial asset concerned, the difference shall be recognised as a gain in the statement of financial performance.
- 6.15.3 All gains realised on the disposal of non-financial assets shall be appropriated annually to the accumulated surpluses and all losses on the disposal of fixed assets shall remain as expenses on the statement of financial performance of CLE. If, however, both gains and losses arise in any one financial year in respect of the alienation of the non-financial assets of CLE, only the net gain (if any) on the disposal of this non-financial assets shall be recognised.

6.16 Carrying values of assets

- 6.16.1 All non-financial assets shall be appropriately recorded in the asset register, and carried in the annual financial statements, at their original cost or fair value less any accumulated depreciation.



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.16.2 In instances of revaluation, the revalued assets shall be carried at revalued amounts less accumulated depreciation.

6.17 Reduction of the carrying amount

6.17.1 The carrying amount of a non-financial asset shall be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount.

6.17.2 When such a decline has occurred, the carrying amount shall be reduced to the recoverable amount.

6.17.3 The amount of the reduction shall be recognized as an expense immediately, unless it reverses a previous revaluation in which case it shall be charged to accumulated surpluses.

6.17.4 For non-financial assets providing economic benefits, the recoverable amount is the net present value of future ownership.

6.17.5 For non-financial assets providing future service delivery, the recoverable amount is the remaining proportional of its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance programs.

6.18 Subsequent increase in recoverable amount

6.18.1 It is the recoverable amount of an asset, previously written down due to a decline in the carrying amount and shall be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

6.18.2 The amount written back shall be reduced by the amount that would have been recognized as depreciation had the write-down or write-off not occurred.

6.19 Accounting for Work-in-Progress

6.19.1 Work in Progress (WIP) relating to the construction of assets shall not be capitalized but held in a separate WIP ledger account. This means that the WIP - Buildings ledger account, for example, shall hold the cumulative value of all buildings of CLE that are not completed at a point in time.

6.19.2 Depreciation is not applicable while assets are accounted for as WIP.



6. ACCOUNTING FOR NON-FINANCIAL ASSETS

6.19.3 WIP relating to assets are transferred to the appropriate asset categories at the earliest occurrence of:

- a) completion/ occupancy; and
- b) when the asset is placed in service.

6.19 Accounting for Abandoned Assets

6.20.1 An asset is considered to be abandoned when it ceases to be used.

6.20.2 Depreciation expense shall continue to be recorded to the date of actual abandonment.

6.20.3 If CLE commits to a plan to abandon an asset before the end of its previously estimated useful life, depreciation estimates shall be revised to reflect the use of the asset over its shortened useful life. This will accelerate the depreciation expense over the remaining periods before the date of abandonment.

6.20.4 Any planned abandoned or indefinitely postponed assets shall be tested for impairment and written down to their net realizable value and, the write-down charged to the period in which the abandonment or indefinite postponement occurs.

6.21 Financial statement disclosures

6.21.1 The disclosure requirements for non-financial assets are detailed in relevant IPSAS for each category of assets in addition to other requirements that could be prescribed by PSASB and other mandated body.



POLICY IMPLEMENTATION AND MONITORING

Effective implementation of this policy will require support from various stakeholders. The policy sets out the following responsibilities;

7.1 The Chief Executive Officer

The CEO shall have overall responsibility for implementation as well as enforcement of this Policy and related regulations or procedures.

7.2 Asset Management Committee

The CEO shall appoint an asset management Committee for effective planning, acquisition, operation, maintenance, and disposal of assets.

The committee shall comprise the Head of Administration, Head of Accounting, Head of Finance, Head of Procurement, and relevant technical officers. The Assets Unit shall be the secretariat and coordinator of the standing committee. The Responsibilities of the committee shall be the following;

- 1) Ensure compliance with this policy and the policy guidelines developed by the National Treasury;
- 2) Monitor and evaluate Assets performance;
- 3) Assess and ensure optimal asset levels of the entity as guided by National Treasury guidelines;
- 4) Institutionalize a risk-based and life-cycle asset management approach;
- 5) Submit the Assets updated inventory and registers to the CEO for signature and subsequent forwarding to the National Treasury;
- 6) Ensure harmonized and accurate reporting on Assets;
- 7) Ensure reliable information system on Assets performance;
- 8) Ensure that Assets audit queries are resolved effectively; and
- 9) any other function relating to Assets.
- 10) Ensure adoption of risk-based and life-cycle asset management approach
- 11) Maintain an updated register of assets
- 12) Maintain CLE asset management system to ensure timely reports to guide on decision-making
- 13) Prepare CLE annual asset plan as well as repair and maintenance plan.

7. POLICY IMPLEMENTATION AND MONITORING

- 14) Ensure proper replacement plan of fixed assets and maintenance of optimal stock levels.
- 15) Ensure a proper asset tagging system.
- 16) Advise the CEO on matters related to optimal management of assets.
- 17) Schedule and perform periodical physical asset identification, verification, inspection and validation.
- 18) Act as custodian of CLE assets ownership documents.
- 19) Coordinate and advise on the disposal of surplus and obsolete assets.
- 20) Facilitate the insurance of movable and immovable assets and revaluation of assets.
- 21) Monitor, evaluate, and report the performance of Assets strategies to the CEO.

7.3 Head Human Resource & Administration Officer

The Head of Human Resource and Administration shall be responsible for the management and control of assets in the Council.

7.4 Head of Finance & Accounts

The Head of Finance and Accounts shall be responsible for the maintenance of the assets register, coordinating asset audits and physical inventories with the Head of Human Resource and Administration as well as recording capital asset acquisitions, transfers, and disposals. Where necessary, the Head of Finance and Accounts shall evaluate, and initiate the process to review the policy to comply with the emerging changes in the operating environment.

The HoFA shall make the manual available and sensitize all employees of its content.

7.5 Head of Supply Chain Management

The Head of Supply Chain Management will maintain an inventory of the fixed assets bought and disposed. Regular reconciliation shall be carried out between asset register maintained by the Head of Finance and Accounts and the Head of Supply Chain Management.



7. POLICY IMPLEMENTATION AND MONITORING

7.6 Head of Legal Services

The Head of Legal Services shall be responsible for the custody of all contracts, MoU's and leases.

7.7 Staff

All employees shall be sensitized on the contents of the manual and thereafter it will be the responsibility of all employees to read and understand the policy and other subsequent amendments therein.

7.8 General Provisions

- 7.8.1 This policy has been developed to support service delivery, commitments and obligations of CLE to the targeted beneficiaries.
- 7.8.2 Unless otherwise expressly provided, employees of CLE shall be required to observe the provisions provided in this policy.
- 7.8.3 The policy shall be read in conjunction with the Constitution of Kenya, relevant Laws guiding the management of employees and Government policy guidelines released from time to time. The manual shall also be read with other approved procedural manuals relating to specific administrative functions of the Council which forms part of the management processes.
- 7.8.4 The policy is not exhaustive hence any new written provisions, guidelines, directives, circulars, or memos from the government shall be deemed as an update.

7.9 Amendments/Review

- 7.9.1 The Policy will be reviewed as and when the need arises with an aim to enhance the efficient delivery of effective outcomes. Changes to the Policy in the following manner;
- 7.9.2 Any staff member may initiate changes to the Policy by submitting written suggestions to the MFA.
- 7.9.3 All proposed changes must be submitted to the CEO for approval. Any changes made by the CEO to the Policy shall be brought to the attention of the Council for final approval.
- 7.9.4 Once amendments are approved, the CEO shall ensure they are implemented by issuing revisions to the Policy and ensuring dissemination of the approved amendments.



APPENDIX 1. ASSET REGISTERS

General

Mode of acquisition - mode of acquisition may be through purchase, transfer, donation etc

Standard register

The standard asset register can be used for several classes of assets including Office equipment, ICT/Computer equipment, Furniture, fittings & Equipment, plant & Machinery and, portable and attractive items. A separate sheet should be maintained for each specific class of assets e.g office equipment)

Land register

Polygon under the land register refers to the GPS readings of the four corners of a plot of land

Encumbrances under the land register refers to any caveats placed on a plot of land

Planned / unplanned in the land register refers to whether the plot of land is located in an area that has formal plans or otherwise

Intangible assets

Intangible assets - Documents of ownership include copyrights, patents for intellectual property; also special access rights for software

Standard asset register

[illegible]

APPENDICES

Motor vehicle register

	Vehicle Registration No.	Financed by/ source of funds	Engine No.	Chassis No.	Tag/ no	Make & Model	Year of purchase	PV number	Original Location	Current Location	Replacement Date (if applicable)	Amount	Depreciation rate	Annual depreciation	Accumulated depreciation	Net Book Value	Date of disposal	Disposal value	Responsible officer	Asset condition	Notes
1																					
2																					
3																					
4																					
5																					
6																					
7																					
8																					
9																					

Prepared by:																					
Name		Design		Date																	
Checked by:																					
Name		Design		Date																	
Authorised by:																					
Name		Design		Date																	

Land register

Description	Mode of Acquisition e.g. purchase, transfer, donation etc.	Category (Land or investment property)	County	Nearest town/ Location	GPS	Polygon*	LR/certificate No. Or other unique identifier	Document of ownership held (Title deed, certificate, allotment letter, etc.)	Proprietorship/ ownership details as per document of title	Ownership status - Freehold/ leasehold	Acquisition date	Registration date	Disputed/ undisputed	Encumbrances	Planned/ Unplanned	Purpose/ Use of land	Surveyed/ Not surveyed	Acquisition Amount	Fair value/ Ministry of Lands zonal maps or land index	Disposal date/ Change of use date	Disposal value	Annual rental income (for investment property)	Remarks
						A B C D																	

* - Polygon refers to the GPS readings of the four corners of a plot of land

Prepared by:																						
Name																						
Checked by:																						
Name																						
Authorised by:																						
Name																						

Building Register

	Description /Name of building	Building ownership	Category (Building or investment property)	Building No.	Institution No.	Nearest town/ Shopping centre	Structure	LR No.	Size of land (ha)	Ownership status (Freehold/ leasehold)	Source of funds	Mode of acquisition	Date of purchase/ Building commissioning (for constructed buildings)	Type of building (Permanent/ temporary)	Designed use	Estimated useful life	No. of floors	Plinth Area	Cost of construction/ Valuation	Annual depreciation	Estimated useful life	Accumulated depreciation to date	Net Book value	Annual rental income (for investment property)	Remarks
1																									
2																									
3																									
4																									
5																									
6																									

Prepared by:																								
Name																								
Checked by:																								
Name																								
Authorised by:																								
Name																								

APPENDICES

Intangible assets register

	Asset description/ Nature of	Document of ownership	Acquired from	Cost/ Fair value	Useful life	Annual depreciation/am- otisation	Accumulated depreciation/am- otisation	Net Book value	Remarks
1									
2									
3									
4									
5									
6									
7									
8									
9									
Prepared by:									
Name			Designation		Date				
Checked by:									
Name			Designation		Date				
Authorised by:									
Name			Designation		Date				

Stocks/ consumables Register

[illegible]

APPENDICES

Other Infrastructure Register

	Asset Description	Financed by/ source of funds	Length (if applicable)	Size (e.g. area, production capacity etc.)	Make & Model	Date installation/ Commissioning	PV number	Original Location	Current Location	Installation amount	Depreciation rate	Annual depreciation	Accumulated depreciation	Net Book Value	Date of disposal	Disposal value	Responsible officer	Asset condition	Notes
1																			
2																			
3																			
4																			
5																			
6																			
7																			
Prepared by:																			
	Name		Designation		Date														
Checked by:																			
	Name		Designation		Date														
Authorised by:																			
	Name		Designation		Date														

Work in Progress Register

	Asset Category	Location of asset	Start Date	Expected date of completion	Percentage of completion	Amount spent to date	Commitment in next financial year	Commitment beyond next financial year	Class of assets transferred to	Date of transfer	Amount of WIP transferred	Balance of WIP
1												
2												
3												
4												
5												
6												
Prepared by:												
	Name		Designation		Date							
Checked by:												
	Name		Designation		Date							
Authorised by:												
	Name		Designation		Date							

APPENDICES

Investments Register

(For investments other than investment property)

	Nature/type of investments	Institution investment held	Document of ownership	Source of funds	Date of investment	Maturity date	Term/duration of investment	Interest rate applicable to the investment	Quantity	Unit Cost	Initial cost of purchase	Expected interest due on maturity	Maturity value	Name and signature of the officer or employee	Remarks
1															
2															
3															
4															
5															
6															
7															
Prepared by:															
	Name		Designation		Date										
Checked by:															
	Name		Designation		Date										
Authorised by:															
	Name		Designation		Date										

Cash and Bank Register

	Account name	Account Number	Currency	Type of Account e.g. fixed, current, savings etc.	Name of Bank	Source of Funds	Bank signatories	Balance Kshs
1								
2								
3								
4								
Prepared by:								
	Name		Designation		Date			
Checked by:								
	Name		Designation		Date			
Authorised by:								
	Name		Designation		Date			



APPENDICES

Loans Receivable Register

	Entity lent	Location of the loan agreement or other supporting documentation, for example, the file	Effective date of lending	Maturity date	Loan duration	Purpose of loan	Interest rate (%)	Currency of lending	Conversion Rate	Amount lent in original currency	Amount lent in Kshs	Actual amounts disbursed to date Kshs	Interest receivable Kshs	Other charges Kshs	Total receivable Kshs	Amount Repaid Kshs	Amount Outstanding Kshs	Comments
1																		
2																		
3																		
4																		
5																		
Prepared by:																		
	Name		Designation		Date													
Checked by:																		
	Name		Designation		Date													
Authorised by:																		
	Name		Designation		Date													

Accounts Receivable Register

	Name of Customer	Items supplied	Department supplied	Responsible officer	Currency	Amount receivable Kshs	Due date of receipt	Number of days outstanding	Remarks
1									
2									
3									
4									
5									
6									
Prepared by:									
	Name		Designation		Date				
Checked by:									
	Name		Designation		Date				
Authorised by:									
	Name		Designation		Date				

APPENDICES

Other Receivables Register

	Nature of receivable	Name of Customer	Staff Personal number (where applicable)	Department	Responsible officer	Currency	Amount receivable Kshs	Due date of receipt	Number of days outstanding	Remarks
1										
2										
3										
4										
5										
6										
Prepared by:										
	Name		Designation		Date					
Checked by:										
	Name		Designation		Date					
Authorised by:										
	Name		Designation		Date					

Staff Imprests Register

	Staff name	Staff Personal number	Department	Imprest warrant No.	Date of issue	Expected date of surrender	Actual date of surrender	Number of days outstanding	Currency	Imprest Amount Kshs	Amount surrendered Kshs	Balance Kshs	Remarks
1													
2													
3													
4													
5													
6													
Prepared by:													
	Name		Designation		Date								
Checked by:													
	Name		Designation		Date								
Authorised by:													
	Name		Designation		Date								

APPENDICES

APPENDIX 2: LIABILITY REGISTERS

Loans Payable Register

Entity lent	Location of the loan agreement or other supporting documentation, for example, the file	Effective date of lending	Maturity date	Loan duration	Purpose of loan	Interest rate (%)	Currency of lending	Conversion Rate	Amount lent in original currency	Amount lent in Kshs	Actual amounts disbursed to date Kshs	Interest receivable Kshs	Other charges Kshs	Total receivable Kshs	Amount Repaid Kshs	Amount Outstanding Kshs	Comments
1																	
2																	
3																	
4																	
5																	
Prepared by:																	
Name		Desig	Date														
Checked by:																	
Name		Desig	Date														
Authorised by:																	
Name		Desig	Date														

Contingent Liabilities Register

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						
6						
Prepared by:						
Name				Designation		Date
Checked by:						
Name				Designation		Date
Authorised by:						
Name				Designation		Date

APPENDICES

Accruals/ Provisions Register

	Description of accruals or provision	Payable to	Amount Kshs	Due date of payment	Number of days outstanding	Remarks
1						
2						
3						
4						
Prepared by:						
	Name		Designation		Date	
Checked by:						
	Name		Designation		Date	
Authorised by:						
	Name		Designation		Date	

Accounts Payables Register

	Name of Supplier	Items supplied	Department	Responsible officer	Currency	Source of funding	Amount payable Kshs	Due date of payment	Number of days outstanding	Remarks
1										
2										
3										
4										
5										
6										
Prepared by:										
	Name		Designation		Date					
Checked by:										
	Name		Designation		Date					
Authorised by:										
	Name		Designation		Date					

APPENDICES

APPENDIX 3. ASSETS MOVEMENT FORM

	Personal No.	Officer Name	Designation & Job Grade	Department	Date of birth	Date of employment	Date of confirmation	Eligible for pension (Y/N)	Number of complete months	Factor for pension computation	Current annual pay	Pension payable	Ex-gratia payments	Total payment due	Lumpsum payment	Amount outstanding	Monthly pension payable to officer	Remarks
1																		
2																		
3																		
4																		
5																		

Prepared by:																		
	Name		Designation		Date													
Checked by:																		
	Name		Designation		Date													
Authorised by:																		
	Name		Designation		Date													

APPENDIX 4. REVALUATION SCHEDULE

	Asset Class	Last Revaluation	Next Revaluation	Remarks
1	Land			
2	Buildings			
3	Roads & Bridges			
4	Other infrastructure			
5				
6				
7				

Prepared by:				
	Name		Designation	Date
Checked by:				
	Name		Designation	Date
Authorised by:				
	Name		Designation	Date

APPENDICES

APPENDIX 5. LOSSES REGISTER

	Details of the item lost or written off, for example, asset code, description, value	Statement as to the circumstances of the loss, for example, dates, personnel involved, how the loss occurred	Loss category for example theft, destroyed etc.	Corrective action taken;	General ledger account and cost centre codes;	Preparer's name and title	Name and title of the approval officer (must have a losses delegation)
1							
2							
3							
4							
5							
6							
Prepared by:							
	Name		Designation		Date		
Checked by:							
	Name		Designation		Date		
Authorised by:							
	Name		Designation		Date		

APPENDIX 6. GUARANTEES AND INDEMNITIES REGISTER

	Nature of the document (guarantee or indemnity or both)	Initial amount involved	Extent of the guarantee or indemnity, i.e. extent of liability	Date of normal expiration	Duration of the document	Current amount of the guaranteed instrument, including any accrued interest or reductions in principal and/or interest.
1						
2						
3						
4						
5						
Prepared by:						
	Name		Designation		Date	
Checked by:						
	Name		Designation		Date	
Authorised by:						
	Name		Designation		Date	

APPENDICES

APPENDIX 7. LEASE REGISTER

	Description of the leased asset	Lease term/period	Repayment schedule, including the residual value and balloon payments	Present value of minimum or total lease payments	Type of lease, (operating or finance lease)	Name and address of the lessor	Name of the officer who approved the lease contract	Nominal rate of interest applied in the lease	Location of the lease agreement, for example, file reference and location.	Remarks
1										
2										
3										
4										
Prepared by:	Name		Designation		Date					
Checked by:	Name		Designation		Date					
Authorised by:	Name		Designation		Date					

APPENDIX 8. LITIGATION REGISTER

	File/register number	Insurance reference/claim number (where applicable)	Other party's name	Other party's legal representative	Brief description of the claim	Departmental officer(s) involved (where applicable)	Date that the file was created	Commencement date of the action	Date of the service of writs	Departmental legal representative (panel and non-panel)	Action taken to date	Total estimate of the costs, inclusive of legal and damages	Legal costs (amounts, description and date) incurred to date	Any comments, for example, reference to legal opinions received and other pertinent details	Current status of the claim, for example, claim settled.	Remarks
1																
2																
3																
4																
5																
Prepared by:	Name		Designation		Date											
Checked by:	Name		Designation		Date											
Authorised by:																

APPENDICES

APPENDIX 9. EQUIPMENT SIGN-OUT REGISTER

	Name of the borrower	Contact details of the borrower	Description of the item	Asset or attractive item tag number (where applicable) or loan equipment identifier	Date of loan	Signature of the borrower	Date equipment returned	Remarks
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
Prepared by:								
	Name		Designation		Date			
Checked by:								
	Name		Designation		Date			
Authorised by:								
	Name		Designation		Date			

APPENDIX 10. ASSET TRANSFER FORM FROM ONE DIVISION TO ANOTHER

	Office furniture/ Equipment		IT and Computer Equipment		Current Location and Unit		New Location and Unit		Comments/ reason for the transfer	Signature of transferor (old holder)	Signature of transferee (new holder)
	Description of asset	Tag Number	Description of asset	Tag Number	User	Condition	User	Condition			
1											
2											
3											
4											
5											
6											
7											
8											
9											
Prepared by:											
	Name		Designation		Date						
Checked by:											
	Name		Designation		Date						
Authorised by:											
	Name		Designation		Date						

APPENDICES

APPENDIX 11. ASSET HANDOVER FORM

Name of staff: _____						
Designation of staff: _____						
Unit/ Department: _____						
	Asset Description	Asset code	Serial Number	Location	Comments on the condition of the asset	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
HANDOVER BY:		IMMEDIATE SUPERVISOR			RECEIPT AND INSPECTION OF ASSET BY STORES OFFICER	
_____		_____			_____	
NAME AND SIGNATURE		NAME AND SIGNATURE			NAME AND SIGNATURE	

APPENDIX 12. ASSET RECONCILIATION REPORT

[illegible]



REPUBLIC OF KENYA



COUNCIL OF LEGAL EDUCATION



The Council of Legal Education,
P.O Box 829 - 00502,
Karen Office Park Karen,
Nairobi, Kenya.



020-6980100



info@cle.or.ke



0719150000



www.cle.or.ke