



**INTEGRATED DEVELOPMENT
FOCUS, SOMALIA - IDF-S**

ASSET MANAGEMENT POLICY MANUAL





INTEGRATED DEVELOPMENT FOCUS – SOMALIA (IDF-S)

ASSET MANAGEMENT POLICY MANUAL

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POLICY APPROVAL

APPROVING AUTHORITY			
Title	Name	Signature	Date
IDF Executive Director			
IDF Board Member			
IDF Chairperson			

FOREWORD

IDF is a non-governmental organization registered and operating in Southern Somalia. Within the duration of its existence, the organization has acquired several assets, both fixed and movable. In order to ensure optimal utilization of its assets in a prudent and efficient manner, it is important for the organization to develop a policy to guide the management of its assets, targeting mainly the fixed assets. It is important to track the cost of the assets, how they are maintained, the depreciation levels and how they can be disposed.

This 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 Department, all units of the organization have a 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.

It is intended to assist the organization in implementing and maintaining an effective fixed assets control program. All Unit heads are therefore called to familiarize themselves with the contents of this policy and ensure its proper implementation in all the Units.

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ACRONYMS AND ABBREVIATIONS

DADF - Donated Asset Declaration Form
DVD - Digital Versatile Disc or Digital Video Disc
FADF - Fixed Asset Disposal Form
FATF - Fixed Asset Transfer Form
GRN - Goods Received Note
IAS - International Accounting Standards
IFRS - International Financial Reporting Standards
PC - Personal Computer
ROI - Return on Investment
WIP - Work-In-Progress

Definition of Terms

- a) **Asset:** this is an economic resource owned by an entity that generates benefits or service which will flow to the entity and whose costs of fair value can be measured reliably
- b) **Fixed Asset/Capital Asset:** All assets which cannot easily be converted into cash and which are usually held for a long period of time, including land, buildings, equipment and furniture
- c) **Coding:** is generating and assigning a number to an asset for identification and classification.
- d) **Tagging:** is the process of numbering and labeling fixed assets and allow the tracking of their movement from location to location.
- e) **Asset Impairment:** is an abrupt decrease of the fair value of an asset due to physical damage, significant changes in economic, market or legal environment, obsolescence, or idleness of the asset.
- f) **Capitalization:** is the recognition of expenditure of an Asset in the Financial Asset Register
- g) **Depreciation:** this is a non-cash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence
- h) **Disposal:** It is the sale, transfer of ownership or destruction of surplus or obsolete assets
- i) **Revaluation:** the upward or downward adjustment of the net book value of a fixed asset to account for major changes in the fair market value of the asset.

Organizational Background

Integrated Development Focus (IDF) was established May 1st, 1999 as a non-partisan non-governmental, none for profit making organization. The headquarters of IDF is Bula Hawa district of Gedo region of Somalia and has operational presence and experience in the entire Gedo region with an ambition to expand and strengthen its operational scope into the greater South-Central Somalia. IDF pursues a rights-based approach grounded on the belief that people are entitled to a claim of basic conditions of living with dignity and access to opportunity and dignity, as a basis of fulfilling their human potential.

IDF therefore seeks to stimulate sustainable developmental change amongst vulnerable communities living in south central region. IDF's mandate and core business is to facilitate humanitarian assistance to disaster affected communities, resilience building and general community development. These ambitions are realized through (core strategies of) knowledge transfer, influencing, brokering linkages and facilitating/ implementing integrated people centered humanitarian and development programs. The main developmental approach of IDF is to enable communities find solutions to their socio-economic challenges. IDF has an impressive track record and experience in implementing community anchored programs in Governance; Peace building; Education; Livelihoods and Food Security; Water Sanitation and Hygiene (WASH) Protection and Health: (Health Education) This is a new concept of undertaking health related information to the community without running or managing MCHs or Health centers.. Additionally, human rights, gender and environment have over time been addressed by IDF as crosscutting issues. In defining and operationalizing these strategies, IDF takes cognizance of important international, national and local development trends and contexts. The main target groups of IDF include vulnerable and marginalized pastoralists, poor urban communities, internally displaced persons (IDP) (individuals, families, groups and communities).

Pursuance of a system and integrated approach to programing, the organization collaborates closely with likeminded institutions from the CSO, public and private sectors. In this regard IDF is a member of various networks such as Somalia South-Central Non State Actors (SOSCENSA), Peace and Human Rights Network (PHRN), Somali NGO Consortium, Gedo Peace Consortium (GPC) and East, Horn of Africa Human Rights Defenders (EHAHRD), Food Security Cluster, Protection Cluster, Education Cluster and WASH Cluster. IDF has graciously received technical and financial support from amongst others FAO, WVI, WFP, PACT, UNHCR, DFID, OFDA/USAID, UNICEF, UNDP, FAO ECHO/EU, UN etc. directly or indirectly.

IDF has a well-defined and working internal organizational structure. IDF works through a well-resourced (staff, infrastructure, equipment) field office in northern Gedo. Policy and strategic guidance, leadership and oversight are offered by a diverse and competent Board of Directors (BODs).

Organizational Identity

The organizational identity and philosophy of IDF is elaborated as follows:

Vision: Peaceful, just, well-governed and prosperous Somalia

Mission: To improve the living conditions of vulnerable and marginalised communities to overcome poverty and achieve socio-economic justice by facilitating relief, equitable and sustainable development programs

Organizational Values: IDF believes in, and is guided by the following ideals:

1. **Respect:** We acknowledge and respect the diversity and variety of values, practices and positions of the communities, institutions and people we work with, even where we hold different opinions.
2. **Excellence:** We are committed to achieve and maintain the highest standards and superior quality in delivering of our program services.
3. **Integrity and credibility:** We are committed to honesty, truthfulness, accuracy and trustworthiness in all areas of our operations and in the use of all the information and/or resources entrusted to us for the service of our beneficiaries. We accept responsibility for our collective and individual actions.

4. **Accountability and Transparency:** We use strategically and prudently all resources entrusted to us to achieve the most impact with minimal means. We are openly accountable on how the resources at our disposal have been used.

Organizational Culture: IDF is dedicated to promoting the following organizational philosophy:

1. **Commitment:** Those we serve come first in everything we do. We champion the realization of their full potential to lead fulfilling lives and contribute meaningfully to society.
2. **Results orientation:** We are driven by the changes and impacts we exist to create. We are committed to providing timely and high quality solutions and services. We closely collaborate the efforts of each person/ actor in delivering our services.
3. **Open communication:** We believe in granting access to information. We value and use competently the best approaches to communicate amongst ourselves and with others. We support all stakeholders to understand and express themselves in relation to their wellbeing and provide input in our service delivery
4. **Competence:** We are committed to acquire, develop and retain the highest possible quality personnel as a basis of assuring the best organizational performance and standards.
5. **Creativity and innovation:** We are committed to ensuring a work environment that encourages innovativeness and embracing new ideas and technologies to make our work more effective.

THE POLICY

1.0 Introduction

In order to ensure optimal utilization of its assets in a prudent and efficient manner, as well as to promote accountability in the use of its assets it is important for IDF to develop a policy to guide the management of its fixed assets. This policy defines the guidelines, regulations and procedures governing the control and reporting of fixed assets. This includes tracking the cost of the assets, how they are maintained, the depreciation levels and their disposal.

2.0 Scope and Application of Policy

2.1 Scope

This policy covers asset categorization, asset coding, 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.

2.2 Application

- a) This policy shall apply to fixed assets acquired with funding originating from the organization own sources, the government or other external sources, and by grants or donations.
- b) This policy shall apply only in respect of management of the organization'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 organization.
- c) Where the term asset is used in this policy, it refers to fixed asset whose economic benefit to the organization exceeds one year.

3.0 Goal and Objectives

3.1 Goal

The goal of this policy is to provide a framework for the management of the fixed assets of the organization.

3.2 Objectives

The objectives of this policy are to:

- a) Establish procedures for recording and capitalization of fixed assets
- b) Establish methods of depreciation, impairment, diminution and amortization of fixed assets
- c) Determine timings for revaluations and accounting in respect of the fixed assets and ensure their documentation
- d) Establish procedures for write off and disposal of fixed assets
- e) Ensure that the organization assets are accounted for in compliance with international Financial Standards.

4.0 Legal and Policy Framework

This policy will be guided by the relevant laws and policies including but not limited to the following:

- a) Constitution of Federal government of Somalia
- b) International financial standards

5.0 Classification of Fixed Assets and Codes

Assets Categorization

Fixed assets shall be classified as follows:

NO	CATEGORY		SUB CATEGORY		SUB ID
	CODE	ITEM	SUB CODE	SUB ITEM	
1.	001	Land	010	Lease Hold	001-010
			020	Free Hold	001-020
2.	002	Buildings	010	Office Blocks	002-010
			040	Workshops	002-040
			060	Residential Houses	002-060
			070	Others	002-070
3.	003	Furniture & Fittings	010	Chairs	003-010
			020	Sofa Sets	003-020
			030	Tables	003-030
			040	Desks	003-040
			050	Beds	003-050
			060	Mattresses	003-060
			070	Cabinets/Bookshelves	003-070
			080	Counters	003-080
4.	004	Motor Vehicles	030	Pick-Ups	005-030
			040	Tractors	005-040
			050	Motor Boats	005-050
			060	Ambulances	005-060
			070	Vans	005-070
			080	Cars	005-080
			090	Motor Cycles	005-090
			100	Water Bowsers	005-100
			110	Others	005-110
			5.	005	Equipment
020	Movable Machines	004-020			
040	Safes	004-040			
050	Fridges/ Freezers	004-050			
060	Water Dispensers	004-060			
090	Air Conditioners	004-090			
110	Water Tanks	004-110			
120	Cookers	004-120			
130	Telephone Equipment	004-130			
140	Others	004-140			
6.	006	Computers and ICT Infrastructure	010	Desktop Computers	006-010
			020	Laptops	006-020
			030	Servers	006-030
			040	Printers	006-040
			050	Scanners	006-050
			060	Copiers	006-060
			070	Projectors	006-070
			080	Network Cabling	006-080

Asset Management Policy

NO	CATEGORY		SUB CATEGORY		SUB ID
	CODE	ITEM	SUB CODE	SUB ITEM	
6.	006	Computers and ICT Infrastructure	090	TVS	006-090
			100	Others	006-100
8.	008	Intangible Assets	010	ICT Software / Databases	008-010
			020	Patents	008-020
			030	Copy Rights	008-030
			040	Trademarks	008-040
			050	Licenses	008-050

For example an IDF laptop used by a staff in the field may be coded as: **IDF006-012**

6.0 Capitalization Guiding Principles

- i) Land, buildings and motor vehicles shall be capitalized regardless of the cost.
- ii) Asset additions, enhancement, repair, replacement or expansion expenditures that enhance or extend the useful economic life of the assets shall be capitalized.
- iii) Work in progress costs shall be closed out and capitalized into the appropriate assets classification when a project is complete, acceptable and placed into use.
- iv) Expenditure incurred in acquiring Information Technology equipment e.g. laptops, notebooks, desktop computers, servers, printers shall be capitalized. Where there is additional expenditure to improve/upgrade existing equipment, the expenditure shall be capitalized.
- v) Furniture and equipment acquired with a value of more than \$100.00 and expected lifespan of five years shall be capitalized. However equipment of a household nature e.g. microwaves, fridges, hotplates, utensils acquired for use in administrative offices will not be capitalized
- vi) Assets whose value is below \$100 are expensed in the fiscal year of purchase and are not capitalized.
- vii) When assets are capitalized, IDF shall assign an asset number and arrange for the asset to be tagged with the asset number for control purposes.
- viii) Costs incurred to keep a fixed asset in its normal operating condition that does not extend the original useful life of the asset or increase the asset's future service potential are not capitalized. These costs are expensed as repairs or maintenance.

7.0 Asset Valuation and Revaluation

Valuation of Assets

- a) Using the concept of current cost, land will be valued at market value.
- b) The valuation basis most appropriate to any improvements any improvements on the land will be replacement cost. Land improvements when considered to have an unlimited life will be valued as part of the land rather than as a separate component as the two items may be difficult to separate.
- c) For building structures, determination of current cost will generally be established by engineers or licensed Valuers.
- d) Furniture and equipment motor vehicles will be valued at cost.

8.0 Revaluation of Assets

- a) Revaluation shall be conducted after every 5 years for land and buildings.
- b) The asset register shall be maintained using the historical data and original cost for regulatory purposes. The valuation report will be used as evidence to update the value of assets in the financial statements.

9.0 Donated Assets

All donated assets shall be recorded in the fixed assets register.

10.0 Capital Budget

- a) Departments and units shall prepare their estimates for the various capital expenditure as appropriate
- b) The budget items shall be consolidated at the central finance office and rationalized by the executive committee.

11.0 Asset Tagging

- a) Tagging shall be done to identify assets, belonging to the organization. The importance of tagging is to:
- b) The asset tag will be issued by the Finance Officer to the assignee.

12.0 Depreciation

Depreciation shall be charged on a straight line basis calculated at cost or valuation of an asset over its useful economic life.

12.1 Depreciation Rates

The annual rates of depreciation for each class of assets are as follows:

NO	CLASS	RATE
1	Land	NIL
2	Buildings	2%
3	Furniture & Equipment	10%
4	Motor vehicles	20%
5	Computers & ICT	20%

12.2 Posting of Depreciation

- a) Depreciation shall be calculated monthly and charged to the income statement.
- b) The depreciation shall be effective from 1st day of the subsequent month, following the date of capitalization.

13.0 Inventory of Fixed Assets

- a) A register of fixed assets shall be maintained by the Finance Officer.
- b) Title deeds, leases and contracts relating to land and buildings shall be maintained by the CEO.
- c) The organization will conduct an annual inventory of all fixed assets.

14.0 Movement of Fixed Assets between the Units

Movement of Assets between Departments shall be recorded in the fixed assets register. See attached asset movement below.

15.0 Disposal of Fixed Assets

15.1 Asset Impairment

- a) For the purposes of financial statements and in compliance with International Financial Standards, Impairment of assets shall be recognized at the end of the Financial Year.

15.2 Asset Disposal

- a) IDF shall dispose fixed assets that are in surplus, not in working condition, obsolete or dismantled. See attached disposal form.
- b) All disposals shall be done through the University Disposal Committee.

16.0 Accountability

The Chief Executive Officer of IDF will be directly responsible for implementation of this policy.

17.0 Funding

IDF will fund the implementation of this policy.

18.0 Policy Review

This policy will be reviewed every five (5) years or as may be required by IDF.

APPENDIX I

DONATED ASSET DECLARATION FORM

This form is used to add donated assets to the fixed assets register.

Organization: _____

Location/Centre: _____

Department/Unit: _____

ASSET INFORMATION

Description: _____ Date of Donation: _____

Make/Model: _____ Manufacturer: _____

Serial No: _____ Part No/Vehicle Reg.: _____

Asset Type: _____ Tag No: _____

Prepared by: _____ Date: _____

Checked by: _____ Date: _____

*Please forward this form to Finance Department within a month.
A copy of the form will be returned to you with a Permanent Tag Number.*

APPENDIX II

FIXED ASSETS TRANSFER FORM

This form is used for transfer of fixed assets

From:	To:
Organization: _____	Organization: _____
Location/Centre: _____	Location/Centre: _____
Department/Unit: _____	Department/Unit: _____
ASSET INFORMATION	
Description: _____	Date of Purchase: _____
Make/Model: _____	Manufacturer: _____
Serial No: _____	Part No/Vehicle Reg.: _____
Asset Type: _____	Tag No: _____
Prepared by: _____	Date: _____
Accepted by: _____	Date: _____

Please forward this form to Procurement Department within a month.

APPENDIX III

DECLARATION FOR DISPOSAL OF FIXED ASSETS FORM

This form is used to declare fixed assets for disposal

Organization: _____

Location/Centre: _____

Department/Unit: _____

Reason for Disposal: (Please tick)

Obsolescence [] Unserviceable [] Damaged [] Surplus [] Other: _____

ASSET INFORMATION

Description: _____ Date of Purchase: _____

Make/Model: _____ Manufacturer: _____

Serial No: _____ Part No/Vehicle Reg.: _____

Asset Type: _____ Tag No: _____

Prepared by: _____ Date: _____

Authorized by: _____ Date: _____

Please forward this form to Procurement Department within a month



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