GUIDELINES ON ASSET AND LIABILITY MANAGEMENT IN THE PUBLIC SECTOR

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Glossary of terms

Abbreviation	Full meaning
ASB	Accounting Standards Board
CG	County Government
GFS	Government Financial Statistics
GOK	Government of Kenya
IAS	International Accounting Standards
IDP	Integrated Development Plan
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMS	Information Management System
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MDAs	Ministries, Departments and Agencies
NALM	National Assets and Liabilities Management
NG	National Government
NT	National Treasury
PFM	Public Finance Management
PIPM	Public Investments & Portfolio Management
PPAD	Public Procurement and Asset Disposal
PPE	Property, Plant & Equipment
PPP	Public Private Partnership
PPRA	Public procurement Regulatory Authority
PSASB	Public Sector Accounting Standards Board
SAGA	Semi-Autonomous Government Agencies
SCOA	Standard Chart of Accounts

Basis of the on Asset and Liability Management in the Public Sector

In exercise of the powers conferred by the Public Finance Management Act, No. 18 of 2012 and the Cabinet Secretary to the National Treasury (Incorporation) Act Cap 101, the Cabinet Secretary to the Treasury of Kenya provides the following Guidelines on Asset and liability Management in the Public Sector

		PART I - PRELIMINARY
Overview	1.	This part includes the following: a) Title b) Interpretation/definitions c) Application/ users of these Guidelines d) Authorisation e) The problem f) Objectives of the Guidelines g) Review of the Guidelines h) Structure of the National Treasury i) Directorate of Public Investments & Portfolio Management j) National Assets and Liabilities Management Department k) Structure of the assets and liabilities Guidelines
Title	2.	This document shall be referred to as the **Guidelines on Asset and Liability Management in the Public Sector** in the Public Sector (herein referred to as “Guidelines”) and shall come into operation on .xxxxxxxxxx
Interpretation/ definitions	3.	In these Guidelines unless the context otherwise requires: —
		“Asset” is a resource owned, or in some cases, controlled, by an individual or organisation as a result of past events and from which future economic benefits or social benefits are expected to flow to the entity. Assets may be movable or immovable, tangible or intangible, and include equipment, land, buildings, animals, inventory, cash and cash equivalents, receivables, investments, natural resources like wildlife and, intellectual rights vested in the state or proprietary rights.
		“Asset condition assessment” is the structured assessment of an entity’s asset base to ascertain performance information such as functionality, operational importance and usage. Decisions made from analysing the outcomes of the condition audit are factored into the asset management plans.
		“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).
		“Accounting officer” has the same meaning assigned to it in section 2 of the Public Finance Management Act, No. 18 of 2012..
		“Accounting Standards Board” has the same meaning assigned to it in section 2 of the Public Finance Management Act, No. 18 of 2012.
		“Appropriations-In-Aid” (A-in-A) refers to income that a public sector entity is authorised to retain (rather than surrender to the Consolidated Fund). The income offsets related expenditure in the current financial year. This income is voted by Parliament in the printed estimates.
		“Carrying amount” is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. This is also referred to as net book value in books of account.

		“Cabinet Secretary” has the same meaning assigned to it in section 2 of the Public Finance Management Act, No. 18 of 2012.
		“Chart of account” has the same meaning assigned to it in section 2 of the Public Finance Management Act, No. 18 of 2012.
		“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” 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.
		“Contingent liability” is: a) A possible obligation 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; or b) A present obligation that arises from past events but is not recognised because: (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) The amount of the obligation cannot be measured with sufficient reliability.
		“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.
		“Cost” is the amount of cash or cash equivalents paid and the fair value of 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 recognised in accordance with the specific requirements of other internationally recognised Accounting Standards.
		“County government entity” has the same meaning assigned to it in section 2 of the Public Finance Management Act No. 18 of 2012.
		“County Treasury” has the same meaning assigned to it in section 2 of the Public Finance Management Act No. 18 of 2012.
		“Depreciation” is the systematic allocation of the depreciable amount of an asset over its useful life.
		“Depreciable amount” is the cost of an asset, or other amount substituted for cost, less its residual value.
		“Derecognition” is the removal of a previously recognised asset or liability from an entity’s statement of financial position.
		“Development expenditure” has the same meaning assigned to it in section 2 of the Public Finance Management Act No. 18 of 2012
		“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" is the cost of removing a product after its usefulness has ended, including costs to decommission, 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" means a gift or a contribution; as defined under section 47 of the PFM Act, 2012.
		"Effectiveness" relates to how well outcomes meet objectives. It concerns the immediate characteristics of an entity's outputs, and the degree to which an asset contributes to achieving specified outcomes.
		"Efficiency" relates to the productivity of public sector entity resources used to conduct an activity in order to achieve the maximum value for those resources, to ensure that it is appropriate to business needs, the best value for money, and consistent with the principles outlined in the PFM Act, 2012.
		"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.
		"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 instruments" means contracts that give rise to financial assets of one entity and a financial liability or equity instrument of another entity.
		"Financial statements", has the same meaning assigned to it in section 2 of the Public Finance Management Act, No. 18 of 2012.
		"Functionality" is 'fitness for purpose'. It describes how well an asset matches the activities that it supports.
		"Government" means the Government of the Republic of Kenya, including national and county governments, and their entities.
		"Intangible asset" is an identifiable non-monetary asset without physical substance.
		"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 non-cash-generating asset" is the amount by which the carrying amount of an asset exceeds its recoverable service amount.
		"Implicit interest rate" is an interest rate that is not specifically stated in a business transaction. Any transaction that involves a stream of payments extending over multiple future periods must incorporate an interest rate, even if there is no rate stated in the related business contract, otherwise, the contract does not reflect the cost associated with delaying payments over a period of time, which is known as interest expense.

		"Liability" is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
		"Loans" has the meaning assigned to it under Article 260 of the Constitution.
		"Monetary items" are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.
		"National government entity" has the meaning assigned to it in section 2 of the Public Finance Management Act No. 18 of 2012.
		"National Treasury" has the same meaning assigned to it in section 2 of the Public Finance Management Act No. 18 of 2012. The title of the National Treasury to be used at a point in time may take the title as provided for under executive orders issued from time to time.
		"Net Book Value" is the cost, fair value or revalued amount of an asset after deducting any accumulated depreciation and accumulated impairment losses. This is usually the carrying amount in the financial statements.
		"Non-financial assets" means an item that has its value determined by physical and tangible characteristic for example stores, equipment, land, buildings, animals, inventory, stock, natural resources like wildlife, intellectual rights vested in the state or proprietary rights.
		"Non-monetary items" are items that are not monetary items.
		"Operational importance" of an asset reflects how heavily the asset user depends on the asset to meet service delivery obligations.
		"Procurement" has the meaning assigned to it in section 2 of the Public Procurement and Asset Disposal Act of No. 33 of 2015.
		"Provision" is a liability of uncertain timing or amount.
		"Public entity" has the meaning assigned to it in section 2 of the Public Procurement and Asset Disposal Act of No. 33 of 2015.
		"Public private partnership" has the meaning assigned to it under Part 1 section 2(b) of the Public Private Partnership Act, 2013
		"Public sector entity" refers to a public entity as defined above.
		"Recognition" is the process of incorporating and including an item in amounts displayed on the face of the appropriate financial statements.
		"Records" a document regardless of form or medium created, received, maintained and used by an organization in pursuance of legal obligation or in the transactions of business, of which it forms part or provides evidence.

		“Recoverable amount” is the higher of a cash-generating asset’s fair value less costs to sell and its value in use.
		“Recoverable service amount” is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.
		“Research” is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.
		“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.
		“Records” document regardless of form or medium created, received, maintained and used by an organization in pursuance of legal obligation or in the transactions of business, of which it forms part or provides evidence a .
		“Risk management” involves the systematic identification, analysis, treatment and allocation of risks. The extent of risk management required will vary depending on the potential impact of the risks. Risk is part of the environment in which entities operate.
		“Semi-Autonomous Government Agencies” mean agencies other than ministries used to deliver national government services or county government services.
		“Social benefits” refer to goods, services and other benefits provided in the pursuit of the social policy objectives of a public sector entity.
		“System” means a set of detailed methods, procedures and routines created to carry out a specific activity, perform a duty, or solve a problem.
		“State corporation” means a state corporation within the meaning of the State Corporations Act, Cap 446.
		“Surplus” means the amount of an asset or resource that exceeds the portion that is utilized. A surplus is used to describe excess assets including income, profits, capital, and goods.
		“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-utilised.
		“Useful life” is: The period over which an asset is expected to be available for use by an entity.
		“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
		The terms used in these Guidelines which are used in the Constitution, existing laws and regulations and, international recognised accounting standards shall have the same meaning as they have in the Constitution, laws, regulations and the internationally recognised accounting standards.

Application/ users of these Guidelines	4.	These Guidelines shall apply to all public sector entities including: a) National government and national government entities; and b) County government and county government entities.
Authorisation – Constitution, PFM Act, 2012, The Cabinet Secretary to the National Treasury (Incorporation) Act Cap 101.	5.	(1) *The Constitution, the PFM act and Cap 101 provide the legal framework for asset and liability management in the public sector which provide the basis for National Treasury to issue this guideline* *(2)* The mandate of the National Treasury is to formulate financial and economic policies, effective coordination of Government financial operations, and management of public finances for the rapid and sustainable economic development of Kenya guided by PFM Act,2012..The Act provides for the effective management of public finances by National and County Governments. *(3) The Cabinet Secretary to the National Treasury (Incorporation) Act Cap 101 of the laws of Kenya recognizes the Cabinet Secretary as the custodian of all Government Assets.*
The problem	6.	(1) GoK through the Cabinet Secretary/ National Treasury has for years owned assets and incurred liabilities but there is no standardized policy or system to record the existence of assets immediately they are procured and liabilities when they are incurred. (2) No adequate guidelines have been documented to provide guidance on planning, acquisition, operation and maintenance, disposal as well as recording and reporting on assets. In addition, there are no adequate guidelines on the identification, securing tenure, recording and reporting on liabilities. These Guidelines have been put together to address the foregoing aspects for public sector entities assets and liabilities management. (3) Different approaches have been adopted to assets and liabilities based on whether entities are using accrual or cash basis of accounting. These guidelines provide direction on assets and liabilities management irrespective of the basis of accounting adopted. (4) Asset and liabilities management has not been aligned to, and integrated with, entities strategic, corporate and financial planning, in the public sector.
Aims of the Guidelines	7.	(1) These Guidelines are aimed at assisting the officers involved in assets and liabilities management to achieve the following: a) Promoting accountability on assets and liabilities management; b) Effective management and safeguard of public assets; c) the standardization in all public sector entities of: (i) identification, acquisition, maintenance, disposal of, valuation/revaluation, recording and disclosure of assets in the public sector. (ii) identification and disclosure of liabilities in the public sector. (iii) assets and liabilities data management reporting. c) Proper authorisation of acquisition and disposal of assets; and d) Accurate and timely information and reporting to facilitate decision making. (2) The guideline is also aimed at consolidation and maintaining an updated inventories of assets and liabilities for both national and county levels of government.
Review of the guidelines	8.	(1) There will be need to review these Guidelines periodically to take cognizance of: a) changes in policy, legislation and regulatory environment; b) change in applicable accounting frameworks; and/or c) trends in international good practice on assets and liabilities management. (2) The Cabinet Secretary to the National Treasury and Planning, will be responsible for updating the Guidelines.

Structure of the National Treasury	9.	(1) There are five directorates at the National Treasury: a) Directorate of Accounting Services and Quality Assurance; b) Directorate of Budget, Fiscal and Economic Affairs; c) Directorate of Public Investments & Portfolio Management (PIPM); d) Directorate of Public Debt Management; and e) Directorate of Administrative Services. (2) The responsibility of assets and liability management has been vested under the Directorate of Public Investments & Portfolio Management (PIPM). The Director General of the Directorate reports to the Principal Secretary, who in turn reports to the Cabinet Secretary to the Treasury of Kenya. (3) The organogram of the structure is included in Appendix 1.
Directorate of Public Investments & Portfolio Management	10.	The Directorate of Public Investments & Portfolio Management (PIPM) is organised into the following departments: a) National Assets and Liabilities Management (NALM); b) Government Public Investments & Public Finance; c) Pensions Department; and d) Public Private Partnership (PPP) Unit.
National Assets and Liabilities Management Department	11.	The NALM Department which is headed by a Secretary has the following functions: a) Monitoring of assets and liabilities management systems in the public sector and generate reports and give recommendations to accounting officers. b) Consolidate national fixed assets and liabilities registers. c) continuous improvement and alignment of assets and liabilities policies and guidelines , d) support on optimal utilisation of assets through development of an optimal utilisation framework to guide public sector entities and e) Providing support to counties on developing assets and liabilities management practices. f) Facilitate continuous capacity building and training of accounting officers on the requirements of these Guidelines.
Compliance with these Guidelines	12.	Accounting officers shall ensure compliance with these Guidelines including sensitization and training of officers on the Guidelines. Accounting officers shall also monitor compliance of the entity with the Guidelines and submit appropriate reports to the National Treasury on a quarterly and annual basis. In instances of non-compliance, the provisions of non-compliance with the PFM Act, 2012 shall apply.
Officers to be conversant with Guidelines	13.	All Accounting Officers shall ensure that all public officers under their control have access to copies of these Guidelines. The public officers shall ensure that they are fully conversant with the contents of these Guidelines.
Disclosure of assets and liabilities in financial statements	14.	Disclosure/ reporting requirements of assets and liabilities in the financial statements of public sector entities shall be guided by the reporting templates prescribed by PSASB. This applies to entities using IPSAS Cash, IPSAS Accrual and IFRS.

Appointment of Accounting Officers of National Government entities	15.	The appointment of Accounting Officers for national government entities is detailed under Section 67 to 74 of the PFM Act, 2012. The key highlights are as follows: (1) The Cabinet Secretary, except as otherwise provided by law, shall in writing designate accounting officers to be responsible for the proper management of the finances of the different National Government entities as may be specified in the different designations. (2) Except as otherwise stated in other legislation, the person responsible for the administration of a constitutional commission or institution or independent office shall be the accounting officer responsible for managing the finances of the commission, institution or independent office. The Cabinet Secretary shall ensure that at any time there is an accounting officer in each National Government entity.
Appointment of Accounting Officers of county Government entities	16.	Section 148 of the PFM Act, 2012 provides for the appointment of accounting officers for county government entities. The key highlights of the section are: (1) A County Executive Committee member for finance shall, except as otherwise provided by law, in writing designate accounting officers to be responsible for managing the finances of the county government entities as is specified in the designation. (2) Except as otherwise stated in other legislation, the person responsible for the administration of a county government entity, shall be the accounting officer responsible for managing the finances of that entity. (3) A County Executive Committee member for finance shall ensure that each county government entity has an accounting officer in accordance with Article 226 of the Constitution. (4) The Clerk to the county assembly shall be the accounting officer of the county assembly.
Structure of the assets and liabilities Guidelines	17.	The framework is divided into the sections outlined below: Part II – Institutional Framework Part III – Legal and Regulatory Framework Part IV – Assets Management Part V – Liabilities Management Part VI – Assets and liabilities Management Information Systems Part VII – Monitoring, Evaluation and Reporting Part VIII – Transitional Provisions Appendices
		PART II – INSTITUTIONAL FRAMEWORK

Overview	18.	This part includes an introduction and the responsibilities of the following institutions/ bodies with respect to assets and liabilities management: a) Parliament/ County Assembly b) Cabinet/ County Executive Committee c) National/ County Treasury d) Accounting Officers of public sector entities e) Office of the Auditor General f) Internal Audit Department g) Office of the Attorney General and the Department of Justice h) Office of the Controller of Budget i) Inter-Governmental Relations Technical Committee j) Council of Governors k) Performance Management and Coordination Office l) Public Procurement and Regulatory Authority m) Public Sector Accounting Standards Board It is important to note the institutions have broader mandates than indicated in this section. The section, therefore, only highlights their roles with respect to assets and liabilities management.
Introduction	19.	For purposes of these Guidelines, institutional framework refers to the bodies/ positions involved in assets and liabilities management. The success for implementation of effective assets and liabilities management depends on commitment to change, an attitude of continuous improvement, and close cooperation between oversight institutions, as well as assets and liabilities management structures within public sector entities. a) Oversight institutions include Parliament/ county assemblies, Cabinet/ County Executive Committees, National Treasury, County Treasuries, Office of the Auditor General, internal audit department, Office of the Attorney General and the Department of Justice, Office of the Controller of Budget, Public Procurement Regulatory Authority and the Public Sector Accounting Standards Board. b) National Treasury shall work closely with all stakeholders and other coordinating institutions. c) The management of assets and liabilities within individual public sector entities is the responsibility of the Accounting Officers. The accounting officers shall assign officers and assets and liabilities management teams at appropriate levels, the tasks to coordinate assets and liabilities management. d) The powers of the Cabinet Secretary with respect to assets and liabilities management are defined under Part III of the PFM Act, 2012. e) Part II, III and IV of the PFM Act, 2012 defines the responsibilities of oversight bodies, national public sector entities and county government and their entities, respectively. f) Part XII of the PFM Regulations, (both national and county governments), 2015, also provide detailed guidelines on asset management.
Responsibilities of Parliament / County Assembly	20.	The responsibilities of Parliament/ County Assembly with respect to assets and liabilities management, include the following, among others; a) Provision of oversight over the budgeting process and appropriate estimates of revenue and expenditure on assets and liabilities as provided for by the Public Finance Management Act, 2012; and b) Examination of financial statements and other documents submitted to the National Assembly/ County Assembly and make appropriate recommendations for improving the management of Kenya's public finances;.

Responsibilities of Cabinet/ County Executive Committee	21.	The responsibilities of the Cabinet/ County Executive Committee with regard to assets and liabilities management, include the following, among others: a) Provide strategic leadership and interventions in assets and liabilities management processes; and b) Provide necessary approvals, for proper, efficient and effective assets and liability management.

Responsibilities of the National Treasury	22.	The National Treasury as part of strengthening the institutional framework in these Guidelines has established the department of National assets and Liabilities Management whose primary mandate is coordinate the overall framework of management of assets and liabilities. The department will be responsible for the following functions; • Monitoring of assets and liabilities management systems in the public sector and generate reports and give recommendations to accounting officers. • Consolidate National government fixed assets and liabilities registers. • continuous improvement and alignment of assets and liabilities policies and guidelines. • support on optimal utilisation of assets through development of an optimal utilisation framework to guide public sector entities . • Providing support to counties on developing assets and liabilities management practices. • Facilitate continuous capacity building and training of accounting officers on the requirements of these Guidelines. • Prepare annual report on National assets and liabilities for submission to Parliament. In addition the following directorates have specific roles in respects to assets and liability management. a) Directorate of Accounting Services and Quality Assurance – The Directorate's main focus is on financial reporting on assets and liabilities. b) Directorate of Public Debt management – The Directorate is responsible for the management of national debt. c) Budget, Fiscal and Economic Affairs Directorate - The Public Procurement Department under this directorate is tasked with the responsibility of providing guidance on PPAD Act, 2015 and thus, guidance on procurement and disposal of assets. 1. The responsibilities of the National Treasury with respect to assets and liabilities have been defined under section 12 of the PFM Act, 2012. Under section 12 (1) (a), the National Treasury shall "formulate, implement and monitor macro-economic policies involving expenditure and revenue" and hence has overall responsibility for the formulation, implementation and monitoring of these Guidelines. a) The Cabinet Secretary to the Treasury (Incorporation) Act chapter 101, Revised 2012 states that the Cabinet Secretary to the Treasury of Kenya may acquire, purchase, take, hold and enjoy movable and immovable property of every description, and may convey, assign, surrender and yield up, mortgage, charge, demise, reassign, transfer or otherwise dispose of, or deal with, any movable and immovable property vested in the Corporation upon such terms as to the Corporation seems fit; and in respect of or in connection with the matters aforesaid or any of them, the Corporation may do all such things and acts as bodies corporate may lawfully do. b) Section 12 (1) (b) of the PFM Act, 2012 stipulates that the National Treasury shall *"manage the level and composition of national public debt, national guarantees and other financial obligations of national government within the framework of this Act and develop a framework for sustainable debt control";* c) Section 12 (1) (d) avers that the National Treasury shall *"mobilise domestic and external resources for financing national and county government budgetary requirements";* d) Section 12 (2) (g) states that the National Treasury shall *"be the custodian of an inventory of national government assets except as may be provided by other legislation or the Constitution";* e) Section 12 (2) (h) indicates that the National Treasury shall *"monitor the financial aspects of risk management strategies and governance structures for the national government and national government entities"*; and f) Section 12 (2) (e) stipulates that the National Treasury shall *"consolidate reports of annual appropriation accounts and other financial statements of the national government and county governments and their entities*."

		2. Section 80 of the PFM Act, 2012 states that *"At the end of each financial year the National Treasury shall prepare for the national government, clear and comprehensible annual financial statements that consolidate the financial statements prepared by all national government entities, in accordance with formats prescribed by the Accounting Standards Board."* 3. The PFM Act, 2012 and related regulations also provides for certain organs of the National Treasury to carry out specific duties with respect to management of assets and responsibilities as follows: a) Section 62 establishes the Public Debt Management Office (PDMO) whose functions are outlined under section 63. Section 63 (b) specifically stipulates that the PDMO has the responsibility of *"Maintaining a reliable debt data base for all loans taken the National Government, County Governments and their entities including other loans guaranteed by the National Government"*.

Responsibilities of the County Treasury	23.	The responsibilities of the County Treasury with respect to assets and liabilities management are detailed under sections 104 and 107 of the PFM Act, 2012. In particular, Section 104(1)(g) stipulates that the County Treasury shall act "as custodian of the inventory of the county government's assets except where provided otherwise by other legislation or the Constitution". Section 107(2)(d) also states that "over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure". In addition, section 107(2)(e) also requires the county debt to be maintained at a sustainable level as approved by county assembly. The county Treasury shall: a) develop county government asset and liability management guidelines in line with policy, guidelines and templates issued by PSASB with concurrence of the Cabinet Secretary, National Treasury and Planning. b) constitute County assets and liabilities management committees to assist the county treasury in overall implementation of assets and liability management framework.
Public Finance Management Standing Committee	24.	Regulation 18 of the PFM (National Government) Regulations, 2015 and Regulation 18 of the PFM (County governments) Regulations, 2015 requires every public sector entity to establish a Public Finance Management Standing Committee to *"provide strategic guidance to the entity on public finance management matters"*. Some of the roles and responsibilities of the committee, under section 19 of the PFM (National Government) Regulations, 2015 and Section 19 of the PFM (County governments) Regulations, 2015, relating to assets and liability management include: b) *regularly review, monitor budget implementation and advice on the entities' accounts, major capital expenditures and review performance and strategies at least on a quarterly basis;* *c) identifying risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the entity; and* *d) review on a regular basis the adequacy and integrity of the entity's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, Regulations, Rules and guidelines.*

Responsibilities of Accounting Officers of public sector entities	25.	(1) The responsibilities of accounting officers of national public sector entities with respect to management of assets and liabilities are defined under Article 227 of the Constitution. The provisions of this article relate to the procurement, transfer as well as disposal of assets and liabilities. (2) The responsibilities of the accounting officers, in relation to assets and liabilities management, are also stipulated under sections 66, 68, 69, 72, 147, 149 and 153 of the PFM Act, 2012, for Judiciary, Parliament and Independent Offices; national public sector entities, and county public sector entities. (3) Sections 72 and 153 gives Accounting Officers the responsibility to manage asset and liabilities in their respective entities. From the other sections, the Accounting Officers are required to, among others: a) Ensure that all applicable accounting procedures are followed when acquiring or disposing of goods and services and that, in the case of goods, adequate arrangements are made for their custody, safeguarding and maintenance; b) Manage the assets of the entity to ensure it receives value for money when acquiring, using and disposing of its assets; and c) ensure that adequate systems and processes are in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant Treasury or the Auditor-General. (4) With respect to reporting on assets and liabilities, sections 81 (2) and 164(2) requires the Accounting Officer to include the following in the annual financial statements of the entity: a) a statement of the entity's debt which is outstanding at the end of the financial year; b) a statement of the entity's debt guaranteed by the national government as at the end of the financial year; and c) a statement of the entity's assets and liabilities as at the end of the financial year in respect of the recurrent Vote, development Vote and, funds and deposits, among others. (5) Section 162 (2)(c) requires every public officer to *"ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property"*. *(6)* According to section 23(2) (g) of the PFM (National government) Regulations, 2015 and section 22(2) (g) of the PFM (County governments) Regulations, 2015, the Accounting Officer shall not *"commit a government entity to any liability for which money has not been appropriated provided that expenditure for projects or programs implemented beyond one financial year is provided for in the subsequent financial years"*. (7) The Accounting Officers shall establish committees required by legislation to facilitate management of assets and liabilities. The responsibilities of the accounting officers, in relation to assets and liabilities management, are also stipulated under sections 159,160,161 and 162 of the PPAD Act, 2015. a) An accounting officer of a procuring entity shall only receipt goods, works and services which have been certified as prescribed. b) An accounting officer of a procuring entity shall record goods, works and services received as shall be prescribed. c) An accounting officer of a procuring entity shall manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continuing utilization of supplies. d) The accounting officer of a procuring entity may employ inventory management and control software to assist it meet the objectives of sound supply chain management. e) An accounting officer of a procuring entity shall set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores and assets. f) An accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity. g) An accounting officer of a procuring entity shall follow policy set out by the Cabinet Secretary specifying the life span of each category of items before boarding for disposal.

Delegation by the Accounting Officer	26.	(1) The Accounting Officer of a public sector entity may delegate to a public officer, in writing, any of the Accounting Officer's powers or functions under these Guidelines. (2) In exercising powers and functions under a delegation, the public officer shall comply with any lawful directions of the Accounting Officer. (3) Delegation of power does not take away the responsibility of the accountability from the Accounting Officer.
Responsibilities of the Office of the Auditor General	27.	The Office of the Auditor General is responsible for the audit of assets and liabilities disclosed in public sector entity financial statements in accordance with the Public Audit Act, 2015. In particular, sections 7(1) (d) requires the Auditor General to *"confirm that:* *(i) all reasonable precautions have been taken to safeguard the collection of revenue and the acquisition, receipt, issuance and proper use of assets and liabilities; and* (ii) *collection of revenue and acquisition, receipt, issuance and proper use of assets and liabilities conforms to the authority."*
Responsibilities of Internal Audit department	28.	*(1)* Sections 73 and 155 of the PFM Act, 2012 requires national and county public sector entities, respectively, to establish *"appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board"* and also *"in accordance with international best practices for internal auditing."* Explicitly, the internal audit arrangements shall be responsible for, "*verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection."* (2) The Internal Audit Department is also responsible for providing assurance on risk management, including the risks associated with assets and liabilities.
Responsibilities of the Office of the Attorney General and the Department of Justice	29.	(1) The Office of the Attorney General and Department of Justice is established under Article 156 of the Constitution of Kenya, 2010 , and the Office of the Attorney General Act, 2012 set out the Constitutional mandate and functions of the Attorney General. (2) The Attorney General is the Government principal legal advisor. With respect to assets and liabilities: a) the Office of the Attorney General reviews contracts relating to the procurement and disposal of major assets and liabilities. b) The office also prepares vesting orders in the transfer of assets and liabilities from one public sector entity to another. c) The Attorney General is the promoter of the rule of law and defender of the public interest and hence instrumental in resolving disputes relating to assets and liabilities by providing necessary interpretation. (3) The Attorney General also provides policy, co-ordination and oversight and hence shall provide guidance on the legal aspects of these Guidelines.
Responsibilities of the Office of the Controller of Budget	30.	(1) The Office of the Controller of Budget is an independent office established under Article 228 of the Constitution of Kenya with the core mandate being to oversee implementation of the budgets of the National and County Governments, and their entities, by authorizing withdrawal from public funds. (2) Its controlling function involves authorizing withdrawals of public funds by public sector entities, where, such funds are used for the acquisition and maintenance of assets as well as payment of liabilities.
Responsibilities of Intergovernmental Relations Technical Committee (IGRTC)	31.	(1) The Intergovernmental Relations Technical Committee (IGRTC) is a body established under the Intergovernmental Relations Act, 2012. (2) It was formed to establish a framework for consultation and co-operation between the National and County Governments and amongst county governments and was further mandated to take over the residual functions of the Transition Authority. (3) IGRTC has a mandate to identified, validated, verified and transfer assets and liabilities relating to defunct Local Authority, devolved functions and devolved public entities and handover to the National Treasury.

Responsibilities of the Council of Governors (CoG)	32.	(1) The Council of Governors (CoG) is established under the Intergovernmental Relations Act, 2012 and comprises the Governors of the forty-seven counties. (2) Its main functions are the promotion of visionary leadership; sharing of best practices and; offer a collective voice on policy issues; promote inter – county consultations; encourage and initiate information sharing on the performance of County Governments with regard to the execution of their functions; and, collective consultation on matters of interest to County Governments. (3) The Governors shall be a key player in the consultation and implementation of these Guidelines.
Responsibilities of the Performance Management and Coordination Office	33.	The Performance Management and Coordination Office sets out the criteria for evaluation of public officers with respect to Key Performance Indicators (KPIs), including those relating to assets and liability management. The office also monitors the performance of the entities including the achievement of targets set on assets and liability management.
Role of the Public Procurement Regulatory Authority	34.	Section 162 (6) of the PPAD Act, 2015 stipulates that *"The Authority shall issue manuals and guidelines regarding all aspects of inventory, stores and asset management.*"
Public Sector Accounting Standards Board - Kenya	35.	Section 192 of the PFM Act, 2012 establishes the Public Sector Accounting Standards Board (PSASB) with the following function, among others, (1) *"prescribe formats for financial statements by all state organs and public entities"*. (2) The PSASB's mandate is to help ensure standardised reporting on public finance at the national and county level. The Board is also mandated to help ensure independence in the determination of accounting standards applied at the national and county level, based on best domestic and international practices. (3) The Board gives guidance to public sector entities on the application of accounting and reporting standards in the country. (4) The functions of the Board are spelt out under Section 194 of the Act. Specifically, Section 194 (5) states that *"The standards set by the Board shall promote transparency and other Constitutional values and principles in effective, prudence and efficient management of revenue, expenditure, assets and liabilities of the institution to which these standards apply"*.
		PART III – LEGAL AND REGULATORY FRAMEWORK
Overview	36.	This part covers the following: a) Legislative requirements b) Subsidiary legislation c) Accounting Standards d) Conflicts of these Guidelines with existing legal and regulatory framework

Legislative requirements	37.	Assets and liabilities management is guided by all relevant legislative requirements including but not limited to: a) The Constitution of Kenya, 2010 b) The Cabinet Secretary to the Treasury (Incorporation) Act, Revised 2012 (1982) c) Public Finance Management (PFM) Act No. 18 of 2012 d) Public Procurement and Asset Disposal (PPAD) Act No. 33 of 2015 e) State Corporations Act, Cap 446, Revised 2016 f) County Governments Act, No. 17 of 2012, Revised 2017 g) Intergovernmental Relations Act, Revised 2012 h) Privatisation Act No. 2 of 2005 i) Public Private Partnerships Act No. 15 of 2013 j) The Companies Act No. 17 of 2015 k) Land Act of 2012 l) Land Registration Act of 2012 m) National Land Commission Act of 2012 n) Way leave Act, Cap 292, Revised Edition 2010 (1989)
Subsidiary legislation	38.	Assets and liabilities management is also guided by the following subsidiary legislation, among others: a) The Public Finance Management (National Government) Regulations, 2015; b) The Public Finance Management (County Governments) Regulations, 2015; c) Public Procurement and Asset Disposal Act Regulations; d) Executive orders; e) Circulars; f) Gazette notices; g) Other legal or statutory documentation that relates to assets and liabilities.
Accounting Standards	39.	These Guidelines are in compliance with the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) Kenya. The accounting standards are listed under Appendix 2.
		PART IV –ASSET MANAGEMENT GUIDELINES
Overview	40.	*The part covers the following:* *a) Introduction* *a) Definition of an asset* *b) Purpose of asset management guidelines* *c) Objectives* *d) Classification* *e) Optimal utilization* *f) Risk management*

Introduction	41.	*Definition of an asset* An asset is defined as a resource owned, or in some cases, controlled, by a public entity as a result of past events and from which future economic benefits/service potential are expected to flow to the entity. Assets may be movable or immovable, tangible or intangible, and include equipment, land, buildings, animals, inventory, cash and cash equivalents, receivables, investments, natural resources like wildlife and, intellectual rights vested in the state or proprietary rights. *Purpose of asset management guidelines* These asset management guidelines constitute the asset management policy and procedure guide which clearly establishes what is required to record, account for, control and safeguard assets within the legislative and regulatory environment of the country. The guidelines also provide practical direction on how to undertake day-to-day management of assets. *Objectives of asset management guidelines* The objectives of these asset management guidelines are to safeguard assets by ensuring that: a) all assets are identified, claimed, acknowledged, held and registered in the name of a public sector entity and are used for the purposes that the asset was procured to serve; b) the acquisition or receipt of assets and the disposal, issue or distribution of assets is properly approved, carried out, and is promptly and accurately recorded by authorised officers; c) proper application of statutory and administrative requirements and policies determined by National Treasury or other responsible authority, takes place with regard to planning, acquisition, operation, maintenance and disposal of assets; d) all appropriate reportable donated assets are identified and recorded; e) all asset transactions are recorded accurately and completely, supported by readily accessible documentation and records, with adequately maintained audit trails; f) assets are adequately protected from theft, loss, damage and misuse; g) the existence of the assets is verified at least annually and a reconciliation of physical assets and fixed asset register balances is carried out; h) relevant and reliable information is obtained to enable all internal and external reporting and accountability requirements to be satisfied in a timely manner; i) value for money (economy, efficiency, equity, environmental, effectiveness and timeliness) is achieved in the life cycle of assets; j) all losses or damages are detected and recorded promptly, accurately and with appropriate action taken in response; k) adequate separation of duties exists in the life cycle of assets; l) adequate guidelines on risk management with respect to assets and liabilities management are provided; m) continuous support is provided on optimal utilization of assets through development of an optimal utilisation framework to guide public sector entities; n) MDAs and Counties maintain complete and up-to-date registers of asset and liabilities All public sector entities must document and maintain procedures to achieve the above objectives. *Classification of assets* Assets can be classified in a number of ways: a) The Government Finance Statistics Manual, 2014 classifies assets as either produced or non- produced based on whether the assets are natural or created by man; b) Assets may also be classified as either current or non-current depending on their use for more than one year or otherwise; c) Assets can be classified as either tangible or intangible based on their physical substance; d) Assets can be classified based on the type e.g. land, buildings, and equipment; or e) Assets can be classified as either financial or non-financial depending on their liquidity.

These Guidelines have broadly classified assets as either non-financial or financial:

a) non-financial assets, which comprise physical and intangible assets; and
b) financial assets which comprise all other assets.

Accounting Officers shall establish, maintain and document adequate asset management systems, including effective internal controls, for their entities entity to ensure that all assets are:

a) acquired in accordance with the PPAD Act, 2015 or as subscribed by any other law
b) acquired only after proper evaluation and consideration of available alternatives;
c) promptly identified, classified and recorded in the accounting records;
d) valued and reported in accordance with entity, statutory and other requirements;
e) used, maintained and disposed of in an effective and efficient manner;
f) used to support the goals and objectives of the entity; and
g) secured and protected from theft, misuse, loss, physical deterioration and destruction and written off when appropriate.

Optimal utilisation of assets

(1) Optimal utilisation of assets provides an assessment of the asset portfolio with the purpose of:

a) identifying gaps within the asset portfolio;

b) identifying service delivery driven priorities for analysis, planning and investment decision making in the medium and long term;

c) developing strategies to best manage the asset portfolio in the medium and long term including the identification of major asset maintenance strategies; and identifying asset disposal opportunities.

(2) The Accounting Officer is responsible for ensuring optimal utilisation of assets within their entity, in accordance with optimal utilisation guidelines issued by the National Treasury.

Risk management

(1) Risk management is an important aspect of asset management. The role of Accounting Officers in risk management is documented under regulation 165 of the PFM (National government) Regulations, 2015 and regulation 158 of the PFM (County governments) Regulations, 2015.

(2) The Accounting Officer is responsible for ensuring adequate entity specific risk management practices are adopted in relation to assets and liabilities within their entities, in line with risk management guidelines developed by the National Treasury.

		PART IV (i) –NON-FINANCIAL ASSET MANAGEMENT GUIDELINES
Overview	42.	This part covers the following: a) Introduction of non-financial assets b) Principles of non-financial asset management c) Objectives of non-financial asset management d) Custody of ownership documents for assets e) Life cycle approach to non-financial asset management
Introduction	43.	(1) Non - financial asset means an item that has its value determined by physical and tangible characteristic for example stores, equipment, land, buildings, animals, inventory, stock, natural resources like wildlife, intellectual rights vested in the state or proprietary rights. Non-financial assets include: a) tangible/ fixed assets such as land, buildings, infrastructure, plant and equipment, transport assets, biological assets and, heritage and cultural assets; b) intangible assets including IT software systems and intellectual property; and c) inventories and other stocks held by public sector entities.
Principles of non-financial asset management	44.	(1) Non-financial assets owned by entities will directly or indirectly support service delivery, and this underpins the following four principles of asset management. These principles are that: a) asset acquisition, operation, maintenance and disposal decisions are integrated into an entity's overall strategic and operational unit planning; b) asset planning decisions across the asset's lifecycle are based on an evaluation of alternatives, which assesses risks and benefits, and applies the Government's core principle of value for money; c) an efficient and effective control system is established for asset management; and d) accountability is established across the asset's lifecycle. (2) Non-financial asset management decisions should not be made in isolation from the broader decision-making and financial management of an entity. Asset management in better practice entities is part of the overall framework of decision making in the organisation, integrating its asset portfolio within the entity's strategic goals. Asset management is most effective when it is aligned to delivery of an entity's outcomes and programmes. The four phases of the non-financial asset lifecycle, which are described in paragraph 55, provide a structure to incorporate the entity's asset requirements into its broader strategic and corporate planning documentation.
Objectives of non-financial asset management	45.	(1) The goal of non-financial asset management is to achieve the required level of service in the most cost-effective manner, which is achieved through management of the asset's life cycle. (2) To be effective, non-financial asset management shall include the following: a) Service level needs, identified in the development planning process, (these shall drive asset management practices and decision making); b) Asset management plans that are an integral part of public sector entity planning process; c) Asset acquisition decisions that are based upon the evaluation of alternatives, including demand management and non-purchase solutions; d) Asset acquisition proposals that include a full business case, including costs, benefits and risks across each phase of an asset's life cycle; e) Defined responsibility and accountability for performance, safe custody and use; f) Disposal decisions based upon an analysis of disposal options, designed to achieve the best possible return for the public sector entity and made in accordance with the provisions of the PFM Act, 2012 and PPAD Act, 2015; and g) Sound risk-based internal controls supporting all asset management practices.

Custody and ownership documents of non-financial assets	46.	Accounting officers should ensure that a public sector entity has documents of ownership for all its assets. Where an entity is a body corporate, the documents of ownership shall be in the name of the entity and shall be under the custody of the accounting officer. For all immovable assets owned by the National and county government the documents of ownership and custody shall be in the name of Cabinet Secretary to the National Treasury/county treasury for County government. A public sector entity shall keep copies of its documents of ownership. Documents of ownership for all movable assets will be in the name and custody of the Accounting officer.
Life cycle approach to non-financial asset management	47.	(1) For the purpose of efficient asset management, a public sector entity's asset life-cycle shall include the following phases: a) Planning; b) Acquisition; c) Operation and maintenance; and d) Disposal (2) Management of these phases should be aligned to the entity's planning, budgeting, monitoring and reporting processes. The key aspects of these phases detailed in the following sections.
		PART IV (i) A – PLANNING
Overview	48.	This part covers the following: a) Introduction b) Objectives for asset planning c) Integrated planning d) Budgeting for assets e) Considerations prior to acquisition
Introduction	49.	(1) Sections 35 and 126 of the PFM Act, 2012 require public sector entities to prepare development plans. The plans are to include significant capital developments for an entity for each financial year. (2) Planning is the first stage of the asset life cycle. This stage establishes and verifies asset requirements. Establishment of asset requirements is based on evaluation of the existing assets and their potential to meet service delivery needs. Identification of management strategies is required in order to include and analyze the need for an asset. Throughout all stages of planning, it is crucial to make sure that the ongoing development adds value to the organisation. (3) If a public sector entity effectively uses planning in all asset management cycle phases, it 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 assets are maintained and can be adequately accounted for. (4) Asset planning is designed to ensure the best use of assets in the delivery of services and, ongoing compatibility between the composition of an asset portfolio and the changing environment in which it operates. It is a dynamic process involving analysis and direction setting for the investment, maintenance, operation and disposal of assets.

Objectives for asset planning	50.	The objectives of asset planning are to: a) apply a consistent, life cycle approach to the public sector entity's management of its assets ensuring that asset investment/procurement decisions occur only to support service delivery plans, objectives and programmes; b) ensure that assets are managed efficiently, effectively and sustainably; and c) ensure that retirement of assets[1] achieve the best return.
Integrated planning	51.	(1) Sections 68, 149 and 175 of the PFM Act, 2012 require an Accounting Officer to *"prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the entity"*. The Accounting Officer is required to *"prepare estimates of expenditure in conformity with the strategic plan*". For an urban area or city, the strategic plan shall be *"based on the integrated development plan that is consistent with the County Fiscal Strategy Paper."* (2) Planning for assets shall be linked to the broader strategic planning, capital budgets, operating budgets and asset management plans of the public sector entity. (3) Where appropriate, a public sector entity shall consult with relevant authorities to provide guidance when planning for certain types assets so as to ensure well informed asset management plans, budgets and development plans, for example, an entity would need to consult with the Ministry responsible for buildings when developing plans for purchase, construction or leasing of a building. (4) An integrated team approach that includes appropriate representation from all relevant units/departments within the entity is crucial to the planning process. (5) Sound planning ensures that the contracting process is conducted in a timely manner, in accordance with statutory, regulatory, and policy and Guidelines' requirements, and reflects the objectives of the public sector entity. (5) Public sector entities shall hold only those assets that are necessary for the efficient, effective and economical delivery of their objectives. Accounting officers must therefore properly plan for the acquisition of assets, and consider alternatives which may include: a) Leasing the asset, by assessing relative costs and benefits; b) If full-time use of the asset is not expected, sharing ownership with another entity, whether in the private or public sector; and c) Outsourcing the delivery of specific objectives that requires assets.
Budgeting for non-financial assets	52.	According to section 15 (2)(a) of the PFM Act, 2012, over the medium term, a minimum of thirty percent of the national and county governments budgets shall be allocated to development expenditure. In accordance with section 2 of the Act, *"development expenditure means the expenditure for the creation or renewal of assets"*. Before an asset is included in the budget for approval, the Accounting Officer must consider and document: a) The preliminary or conceptual design and specification of the asset; b) 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; c) The future operational costs and revenue on the asset, including maintenance and taxes; d) The financial sustainability of the asset over its life including revenue generation and subsidisation requirements; e) The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation; and f) all preliminary costing-projected timeframes, cash flows and other requirements; and alternatives to the asset purchase in question.

[1] An asset is considered retired when it is permanently taken out of service, such as through sale, transfer to another party, write off, disposal due to obsolescence, stolen, damaged or replaced.

Considerations prior to acquisition	53.	Should the public sector entity decide to acquire a non-financial asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset: a) The purpose for which the asset is required is in keeping with the objectives of the public sector entity and will provide significant, direct and tangible benefit to it; b) The asset has been budgeted for; c) The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget; d) The purchase is absolutely necessary as there is no alternative asset that could be economically upgraded or adapted; e) The asset is appropriate to the task or requirement and is cost-effective over the life of the asset; f) The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources; g) Space and other necessary facilities to accommodate the asset are in place; and h) The most suitable and appropriate type, brand, model, etc. has been selected.
		PART IV(i)B – ACQUISTION
Overview	54.	This part covers the following: a) Introduction b) Acquisition plans c) Ways of acquiring non- financial assets d) Corporate procurement of assets e) Donated non -financial assets f) Decision to lease or acquisition involving consideration g) Decision to acquire involving consideration or enter into a Public Private Partnership (PPP) h) Outsourcing arrangements i) Acquisition of immovable property j) Approval to acquire assets k) Funding of asset acquisitions l) Hand -over of projects assets m) Work in progress n) Date of acquisition
Introduction	55.	(1) The service delivery requirements of a public sector entity may be best met by the outright acquisition of new assets that will also meet the efficient, effective and value-for-money considerations. (2) Procurement of goods, works and services shall be guided by the PPAD Act, 2015, applicable regulations as well as other legislation. (3) Regulations 115 of the PFM (National government) Regulations, 2015 and 114 of the PFM (County governments) Regulations, 2015 requires all goods works and services to be procured according to an approved procurement plan. (4) The time frame for the acquisition process/project start date, and the timing and amount of required capital outlays shall be considered and included in the public sector entity's development plan, annual as well as medium term budgets. Expenditure on a capital project shall be approved through the budget process as is the case with all other expenditure. (5) In some instances, it may be beneficial to outsource aspects of service delivery to third parties, thus eliminating the need for public sector entities to acquire assets.

Acquisition plans	56.	(1) Taking the decision on choosing the best option can only be made after defining the cost and the requirements. The choice will be the phase of further planning, the acquisition planning. Acquisition planning includes activities involved in purchasing an asset with the aim of ensuring cost effective acquisition. This covers activities such as designing and procuring an asset. Appropriate application of these activities guarantees that the asset is fit for use. (2) An acquisition plan is the key document for the acquisition of all major assets and links service delivery requirements to assets required. The plan feeds directly into the procurement plans developed by public sector entities as well as budgets. (3) Procurement planning legal requirements are documented under Part IV of the PPAD Act, 2015. In general, accounting officers shall "*ensure procurement plans are prepared in conformity with the medium-term fiscal framework and fiscal policy objectives*". In addition, all procurement processes *"shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan."* (4) A Capital Acquisition Plan represents the plan for the acquisition, development or enhancement of non-current assets over the next five years. The plan details both acquisitions and associated funding sources. (5) Accounting Officers shall prepare detailed plans for significant acquisitions, whether in terms of price or complexity, and could include: a) a statement of need and acquisition rationale; b) roles and responsibilities of personnel required to manage the acquisition; c) activities required in the acquisition such as contract management, technical, legislative and management considerations; d) acquisition timeframes and key decision points; e) timing and amounts of capital outflows; f) indicative life-cycle costs; and g) monitoring and other control processes to ensure that acquisition occurs as intended. (6) The aggregation of detailed acquisition plans, along with those acquisitions that fall below the threshold for individual inclusion, are disclosed in a summary acquisition plan. This summary will be a key input into the preparation of development plans. (7) As part of the acquisition process, design and technical specifications, useful life, life-cycle costs, asset performance indicators and required maintenance levels will need to be determined. This information is able to then feed directly into the operations and maintenance plans.
Ways of acquiring non-financial assets	57.	Non-financial assets may be acquired in a number of ways, the accounting officer should consider the most cost effective and value for money: a) Acquisition involving consideration –This is where assets are obtained through payment of money, through purchased or constructed/ developed assets/ trade-ins. b) Acquisition at no cost or for nominal consideration – such as contributed or donated assets, including inter-agency transfers. c) Assets not previously recognised but subsequently identified through revaluation, asset counts or other processes. These assets may have been originally purchased, constructed, contributed or donated. d) Assets leased from government entities, non-governmental entities or individuals. e) The government can enter into public private partnerships (PPPs) that could lead to the acquisition of major assets as well as incurrence of significant and possibly long-term liabilities and contingent liabilities.
Corporate procurement of non -financial assets	58.	Accounting Officers shall take into account corporate procurement arrangements negotiated by various government agencies in the acquisition of assets. This include arrangements for leasing of assets as well as for services related to assets, such as, purchase of fuel.

Received Donated non - financial assets	59.	(1) A donated asset is a gift or contribution that has been granted to a public sector entity by a third party without consideration. (2) Donated assets should 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) All donated assets must be approved by the Accounting Officer prior to acceptance. (4) The Accounting Officer must evaluate and document the future operational costs of a donated asset and the effect it might have on future tariffs and taxes, before a donated asset is accepted by the public sector entity. (5) The conditions associated with a donated asset must be agreed upon and signed by the Accounting Officer. (6) No development or improvements can be made on gifted assets before formal transfer of ownership to the public sector entity is completed. (7) The accounting officer shall ensure that they obtain necessary documents of ownership for all donated assets. (8) The conditions and guidelines for receiving grants and donations by public sector entities are documented as below: a) National government or its entities or third parties under section 47 of the PFM Act, 2012 and Part VII of the PFM (National Government) Regulations, 2015; and b) County governments or their entities or third parties under section 138 of the act and Part VII of the PFM (County Government) Regulations, 2015. c) According to the regulations above, the recipient of a grant or donation from a development partner shall record the amount or value of the grant or donation in its books of account. d) Regulation 71(1) of the PFM (both national government and county governments) Regulations, 2015 specifically states that accounting officers of all entities shall ensure that all donations in kind are: i) not harmful to health and the environment; and ii) in good and serviceable condition. e) Regulation 71 of the PFM (both national government and county governments) Regulations, 2015 also requires that grants, donations or sponsorships received during the year be disclosed in the annual and quarterly financial statements. f) Regulation 72(4) of the PFM (national government) and 72(5) (county governments) Regulations, 2015 directs that *"all grants and donations shall be appropriated by the relevant assembly before commencement of disbursements."*

Decision to lease or acquisition involving consideration	60.	(1) The decision to lease or buy an asset applies where the market can provide assets to meet a public sector entity's service needs. Since leases have a built-in interest cost, this shall be considered when evaluating whether to lease or buy an asset. (2) Guidance on the management of lease financing by accounting officers and government departments are detailed under regulation 128 of the PFM (National government) Regulations, 2015 and regulation 127 of the PFM (County governments) Regulations, 2015, Accounting Officers cannot enter into finance leases without the approval of the relevant Treasury. (3) Prior to any decision being made, a business case must be developed by the Accounting Officer. As a guide, details should be provided regarding the following: a) where the lease is for the whole of the useful life of the asset, an assessment should be made based on a comparison of the Net Present Value (NPV) of lease payments with the acquisition cost of the asset; b) where the lease is for asset plus maintenance/consumables, the value of additional items must be separately identified by the supplier in tenders; the assessment is then to be based on the NPV of the lease payments, including additional items, compared with the NPV of the acquisition cost of the asset including estimated maintenance costs; and c) where the lease is for a period of less than the whole of the useful life of the asset, an assessment is to be made based on a comparison of the NPV of lease payments plus residual value, with the cash cost of the asset. (4) 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; d) implicit interest rate; and e) lease payments. (5) Leases shall be reviewed annually to confirm that the decision to lease remains the most economical one. (6) The reporting format for purposes of reporting leases to the National Treasury is included as appendix 6(ae).
Decision to acquire involving consideration or enter into a Public Private Partnership (PPP)	61.	(1) A public sector entity shall undertake a feasibility study in relation to a proposed PPP project in conformance to the minimum requirements prescribed under the PPP Act No 15 of 2013, and any guidelines issued by the PPP Committee and Unit; demonstrating, without limitation, the following: a) the strategic and operational benefits of the PPP arrangement for the public sector entity; b) the specific description of the extent to which the function, both legally and by nature, can be performed by a private party in terms of a PPP agreement and what other forms of PPP arrangements or agreements were considered; c) review of the contingent liabilities that could arise out of the PPP agreement; and d) explanation of the public sector entity's capacity effectively to enforce the agreement, including monitoring and regulating implementation and performance of the agreement. (2) Before a decision is made to enter into a PPP agreement, the public sector entity shall. Ensure that all regulatory requirements under the PPP Act 2013 (as from time to time amended) have been met and satisfied and further ensure that the proposed transaction has been shown to: a) Provide value for money; b) Be affordable and financially sustainable to the public sector; c) Transfer appropriate risk to the private party; and d) Guarantee efficient and reliable performance of public service. (3) All PPP agreements should be carried in accordance with the PPP Act, 2013.

Outsourcing arrangements	62.	(1) Outsourcing aspects of service delivery to third parties eliminates the need for a public sector entity 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. (2) In deciding whether to outsource a service delivery, an entity would usually consider a number of matters including: a) the ongoing viability of the outsourced service provider; b) the costs and benefits of outsourcing; c) existing in-house skills, resources and expertise and whether the outsource service provider can replicate these; d) the risks associated with outsourcing, including the loss of corporate knowledge and the impact on business continuity; and e) the extent to which highly sensitive and protected information may need to be divulged to the outsourced service provider.
Acquisition of immovable property	63.	(1) According to regulation 143(4 & 5) of the PFM (National government) Regulations, 2015 and regulation 136(4 & 5) of PFM (County governments) Regulations, 2015: a) All acquisitions or assignment of immovable property shall be notified to the National or County Treasury, as applicable. b) All acquisitions or assignment of land with or without buildings shall be notified to the National or County Treasury, as applicable. (2) Land and buildings shall only be acquired after approval by the National Treasury, in consultation with the National Land Commission and or the Ministry responsible for housing, as applicable.
Approval to acquire non-financial assets	64.	Funds can only be invested in a non- financial asset or project if: a) They have been appropriated in the budget; b) The project, together with the total project cost based on viability assessment has been approved by the Accounting Officer and the National / County Assembly, as appropriate; and c) The Accounting Officer confirms that funding is available for that specific asset or project.
Funding of non- financial asset acquisitions	65.	(1) Within the public sector entity's on-going financial, legislative or administrative capacity, the Accounting Officer will establish and maintain the funding strategies that optimise the public sector entity's ability to achieve its strategic objectives as stated in the integrated development plan. (2) The funding strategy shall consider available sources of finance. (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. (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.

Handover of Project Assets	66.	Regulation 74(6) of the PFM (National government) Regulations, 2015 and regulation 74(6) of the PFM (County governments) Regulations, 2015 stipulate that an Accounting Officer of an entity shall: a) *“cause to be kept and maintained proper books of accounts and records in respect of all projects and donations;* b) *ensure that whenever projects are completed, the project assets including buildings, plant, vehicles, furniture, fittings and equipment are properly recorded and handed over to the accounting officer in accordance with the financing agreement;* c) *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* d) *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 County Revenue/ Consolidated Fund.”* The project asset ownership documents should be legally transferred and registered in the name of the receiving entity.
Work-in-progress	67.	(1) Work in progress refers to partially-completed goods/works that are still ongoing. These items do not include raw materials or finished goods. This would include assets under construction but not yet completed. (2) Work in progress related to construction of an asset includes all costs incurred for the construction of assets not yet placed in service. When the entity constructs a depreciable asset for its own use, all direct costs shall be included in the total cost of the asset. Fixed overhead costs are **not,** however included unless they are increased by the construction of the asset; and (3) Where a project uses a phased-in approach, it has distinct, multiple, completely self-contained phases that will be brought into production or use at different points of time. When determining the allocation of project costs in a phased-in project (e.g., customized software), the following should be considered: a) Project costs transferred to a related asset when it is ready for use (i.e. completed but not yet brought into use). These would be initial costs that must be incurred in the initial phase before any other phase can be completed. b) Project costs transferred to a related asset when it is brought into use (e.g. brought into production, rolled-out with staggered implementation dates). These would be costs incurred in each phase that has been completed but do not include initial costs associated with the initial phase. (4) Once an asset is ready for its intended use, it is to be transferred to the corresponding non-financial asset account and depreciated over its estimated useful life. (5) 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 the asset. (6) If an incomplete project is terminated or put on hold indefinitely, any costs currently recorded as Work-In-Progress must be written off. (7) The Accounting Officer shall assess the assets held in the Work-In-Progress register for impairment on annual basis to ensure the authenticity of values disclosed. (8) Each Accounting Officer shall maintain a work-in-progress register for each category of assets which shall be submitted to the National Treasury quarterly. The proposed format for work in progress is attached under Appendix 6 (m).
Date of Acquisition	68.	The date of acquisition of non-financial assets is deemed to be the time when legal title and control passes to the public sector entity. For assets that are acquired over time, the date of acquisition shall be the date when the asset becomes operational.

		PART IV(i)C – OPERATION AND MAINTENANCE
Overview	69.	This part covers the following: a) Introduction b) Monitoring of non-financial asset performance c) Operation plans d) Maintenance plans for non-financial asset e) General maintenance of non-financial asset f) Deferred maintenance of non-financial asset g) Physical receipting of non-financial assets h) Asset identification/ tagging i) Physical security of tangible assets j) Protecting and securing intangible assets k) Insurance of non-financial assets l) Hire of non-financial Government assets m) Internal movement of assets n) Asset recording – Fixed Assets Register o) Recording – Format of Asset register p) Reconciliation of fixed asset register and accounting records q) Verification and condition assessment of physical assets r) Verification assessment of intangible assets s) Valuation approaches t) Borrowing/loaning of assets between entities u) Handover of assets by officers v) Losses and write offs of non-financial assets w) Obsolescence x) Assets hand-over after project closure/ closure of government entities y) Management of portable and attractive items

Introduction	70.	(1) Asset maintenance can be defined as “a continuous process improvement 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. (2) The operation and maintenance phase involves the management of an asset, with the aim of delivering services. The plan of asset management should have a high focus on asset maintenance issues. Long lived assets, in the majority of public sector assets, especially roads and buildings require particular maintenance during their life cycle. (3) Maintenance is a critical activity in the life-cycle of an asset. Poor maintenance often leads to a shorter useful life than that envisaged from design specifications and may lead to loss of functionality, a decrease in utilisation, pose a threat to human safety or result in a legislative breach. (4) 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. (5) The Accounting Officer is responsible for ensuring that public sector entity resources are utilised effectively, efficiently, economically and transparently and is hence accountable for the operation and maintenance of assets. (6) Throughout the time of the asset, the Accounting Officer should focus on appropriate maintenance as well as monitoring of asset performance to meet the asset operational requirements. (7) Authorities mandated with responsibility over specific assets have developed relevant legislation to facilitate the maintenance of such assets, for example, a) The policies and procedures for maintenance of roads are stipulated in the Road Maintenance Levy Fund Act No. 9 0f 1993 (Revised 2016). b) The Ministry responsible for public buildings has developed the Public Buildings Maintenance policy. Such legislation shall be harmonized with these Guidelines by the responsible parties to ensure consistency. (8) In addition, PPAD Act, 2015, Part XIII — inventory control, asset and stores management and distribution, clearly defines the roles and responsibilities for the receipt; and recording of goods, works and services.
Monitoring of non-financial asset performance	71.	(1) Monitoring of asset performance involves tracking the use of an asset to ensure that it meets the intended service delivery objectives. (2) Monitoring of asset performance allows for the asset portfolio of a public sector entity to be reviewed in light of service delivery requirements. It can also assist in managing and building the performance of key individual assets or groups of assets, which contributes to the accountability, decision-making and governance arrangements of service delivery. (3) Asset performance monitoring shall take a multi-dimensional view of the asset’s contribution to meeting service delivery requirements taking into account the performance indicators of functionality, operational importance and usage of the asset. • Functionality refers to how well an asset matches the activities it supports. • Operational importance reflects how heavily the asset user depends upon the asset to meet service delivery needs. In determining an operational importance rating, consideration needs to be given to the immediate availability of alternatives, and the consequences of failure. • Usage reflects how intensively an asset is used by an entity. (4) Monitoring of asset performance will also be driven by optimal utilisation of assets as defined in these Guidelines.

Operation plans	72.	(1) An asset operation plan refers to an outline of the manner in which the asset is expected to meet the service delivery plan of an entity. (2) The accounting officer is responsible for ensuring that entity specific operation plans are prepared and enforced. (3) An operations plan will set out roles and responsibilities for Accounting Officers and assign responsibility for asset performance and accounting for life-cycle costs including: 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 such as make-good, demolition or restoration. (4) An operation plan complements the acquisition, maintenance and disposal plans and details the operational aspects of an asset on the basis of its life-cycle.
Maintenance plans for non-financial asset	73.	(1) An asset maintenance plan is a documented plan of action detailing how an asset will be maintained to ensure optimal service delivery. (2) Every Accounting Officer shall ensure that a maintenance plan in respect of every non-financial asset is promptly prepared, enforced and included in the annual budgets of the entity for approval. (3) Major maintenance activities may require long-term planning to allow critical assets to be taken off-line for extended periods of time. (4) For some specialised assets the technical requirements for scheduled maintenance are provided by the manufacturer. These schedules shall be taken into account when planning for the long and medium term and, appropriate budget provisions made to ensure adherence to schedules. (5) Accounting Officers shall ensure that maintenance plans make provision for the additional maintenance burden of future assets to be acquired. (6) The Accounting Officer shall prepare annual reports on the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance.
General maintenance of non-financial asset	74.	(1) Every Accounting Officer shall be directly responsible for ensuring that all assets under their responsibility are properly maintained and, in a manner that will ensure that such assets attain their useful lives. (2) Accounting Officers shall take responsibility for the control and utilisation of assets, monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses shall include all labour and material costs for the repair and maintenance of the assets. (3) The Accounting Officer shall prepare annual reports on the likely effects that maintenance budgetary constraints may have on the useful operating life of assets or asset classes.
Deferred maintenance of non-financial asset	75.	(1) Deferred maintenance refers to system upgrades, or repairs that are postponed to a future budget cycle or until funding becomes available. (2) If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any capital asset, the Accounting Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans that the Accounting Officer of the public sector entity has approved in order to redress such deferral of the maintenance requirements concerned. (3) If no such plans have been formulated or are likely to be implemented, the Accounting Officer shall re-determine the useful operating life of the asset in question and, shall recalculate the annual depreciation expenses accordingly.

Physical receipting of non-financial assets	76.	(1) The responsibilities of Accounting Officer with respect to receipt of non-financial assets include: a) The Accounting Officer must ensure that the purchase of non-financial assets complies with the PPAD Act, 2015 and related regulations. b) The Accounting Officer must ensure that all assets acquired are inspected and accepted by the inspection and acceptance committee and identified/ tagged before they are issued to user departments. c) The Accounting Officer must ensure that all assets received into their stewardship are appropriately safeguarded from inappropriate use or loss. This will include appropriate control over the physical access to these assets and regular asset counts to ensure that losses have not occurred. d) The Accounting Officer must ensure that non-financial assets are appropriately utilised for the purposes that the public sector entity acquired them. (2) The procedure for receipt of tangible assets shall be as follows: a) The Accounting Officer shall ensure compliance with Section 44(2)(h) of the PPAD Act, 2015, with respect to receipt of assets. b) The process of receipting will include a review of all details and specification as per the contracting document, resulting in inspection and acceptance by the Inspection and acceptance committee. c) The Accounting Officer shall be responsible for registering the asset into the asset register upon receipt and assignment of the asset to the appropriate user. d) The Accounting Officer shall ensure that assets received into the stores are appropriately recorded in the stores records maintained by the public sector entity as stipulated under Part XIII of the Public Procurement and Assets Disposal Regulations.
Asset identification/ tagging	77.	(1) Asset identification and tagging involves the allocation of unique references/ identifiers to specific assets so as to facilitate their identification, accountability and monitoring. (2) Movable assets will be identified using a barcode system or by attaching a tag to each item. (3) Immovable assets will be identified by means of an accurate description of their physical location (including Geographic Positioning System (GPS) readings) and attributes such as acreage, user and registration number. (4) Intangible assets shall be issued with a unique identification reference and the same included in the asset register. (5) To facilitate identification of the assets, each asset should be clearly and uniquely identified with un-erasable identification. (6) The Accounting Officer shall develop and implement an asset identification system. The National Treasury shall issue guidance on asset tagging. (7) All assets purchased shall be identified/ tagged upon receipt from suppliers and, before they are issued out to user departments. The tag number of each asset shall be included in the asset register. (8) The tag must be consistently 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. (9) 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.

Physical security of tangible assets	78.	(1) The Accounting officer is responsible for ensuring that adequate arrangements are developed, implemented and maintained for the security and control of all non- financial assets (tangible) within the public sector entity, both during and outside normal working hours. They should ensure that: a) Reasonable security is provided to restrict the access of unauthorised persons to those assets to prevent abuse, damage, and theft. Where appropriate, security measures including physical locks, patrols, cameras, alarms, stock takes and physical access restrictions will be utilised, and staff will at all times be responsible for the appropriate use and storage of assets provided to them; b) Tagging is used to clearly identify the assets of the public sector entity; c) Public property under the control of public sector entities is not used for private purposes; d) Officers and employees shall return all public sector entity assets in their possession as part of their clearance on transfer within Government, retirement, dismissal or resignation; and e) Standard operating procedures are developed with respect to security arrangements. f) There is adequate security awareness and training. (2) All physical assets must be properly stored and protected. Physical security over all assets must be such that the threat of unauthorised 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 public sector entity operations if it did. (3) The guidelines on insurance of assets is documented under paragraph 88.
Protecting and securing intangible assets	79.	The Accounting Officer of a public sector entity should protect and secure intangible assets through: a) Identification of existing intangible assets; b) Registration of the intangible assets, as applicable; c) Use of access controls to technology-based intangible assets including passwords and user right allocations; d) Monitoring of trends in technology and ensure relevant updates; and *e)* Proper filing of documents relating to intangible assets for verification purposes.
Insurance of non-financial assets	80.	(1) Insurance provides selected coverage for the accidental loss of the asset value. Assets shall be insured in accordance with guidelines issued by the National Treasury. (2) Insurance cover for public sector entity assets should be guided by risk exposure and cost-benefit criteria. (3) The Accounting Officer shall arrange for timely acquisition of insurance cover and renewal of all insurance policies to ensure that they are budgeted for and that the public sector entity's assets are adequately protected.
Hire of non-financial Government assets	81.	According to section 72 (3) of the PFM Act, 2012 *"a national government entity shall not loan or transfer assets to any person or organization or permit any person or organization to use assets for purposes other than carrying out the functions of the entity, except in accordance with an Act of Parliament enacted pursuant to Article 227 of the Constitution."* Based on the foregoing, the hire of government assets for use by private individuals should be within the law.
Internal movement of assets	82.	(1) Location of moveable assets shall not be changed within a public sector entity unless with the written approval of the Accounting Officer. (2) The movement of assets within the entity shall be promptly updated in the fixed assets register, with respect to the location and officer responsible.

Asset recording – Fixed Assets Register	83.	(1) Section 143(1) of the PFM (National Government) Regulations, 2015 and section 136(1) of the PFM (County governments) Regulations, 2015 stipulates that "*The Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws"*. (2) Section 14(1) of the State Corporations Act, Cap 446 requires *"every state corporation shall keep or cause to be kept proper books recording all the property, undertakings, funds, activities, contracts, transactions and other business of the state corporation"*. (3) The asset register is a cornerstone of an asset management framework for entities, no matter what the size of their asset portfolio, in that it 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) asset planning; b) assisting in meeting accounting standards and legislative compliance; c) monitoring performance; and d) accountability. (4) The asset register is a key to understanding in detail what assets are owned and controlled by an entity and, depending on the complexity of information entered, can be used to determine: a) the current condition of assets; b) when assets need to be replaced; c) information required to meet accounting standards and other regulatory requirements; d) asset locations and asset custodians; e) the level and frequency of asset maintenance programs; and f) life-cycle costs by asset and program. (5) In the establishment and management of the asset register: a) The Accounting Officer 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. b) The Accounting Officer is responsible for establishing and maintaining an asset register or database to demonstrate the physical management of the assets. c) The Accounting Officer shall be responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers. (6) The Accounting Officer shall take into account the following important aspects of internal controls over the asset register: a) Controls around the asset register shall be sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the National Treasury and required by the auditor general. b) These controls will include 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. (7) The functional requirements of an asset register will depend on the size and nature of an entity's activities and asset portfolio and, will be configured to be fit for purpose, that is, to deliver performance and accountability measures which are commensurate with the amount, role of assets and the level of asset management activity undertaken within the entity. (8) Separate asset registers shall be maintained for all different categories of assets, such as land, buildings, investment property, leased and intangible assets. (9) The data relating to each individual asset of the entity shall be entered in the asset register separately. (10) Third party assets under the custody of the public sector entity shall not be regarded as forming part of the public sector entity assets and shall be kept in a separate asset register labeled 'Third party assets.' 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. (11) The asset registers should be continuously updated and, asset accounting records should be reconciled to the general ledger on a monthly basis.

Recording – Format of Asset register

84.

(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.

(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 which may be prescribed.

(3) The fixed asset register shall at least reflect the following information:

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) whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements;
o) Status/condition of the asset;
p) the date on which the asset is disposed of; and
q) the date on which the asset is retired from use, if not disposed of.

Accounting information

r) accumulated depreciation;
s) the depreciation charge for the current financial year;
t) the carrying value of the asset;
u) the method and rate of depreciation as prescribed by these guidelines;
v) the (last) revaluation date of the fixed assets subject to revaluation;
w) the revalued value of such fixed assets;
x) impairment losses incurred during the financial year (and the reversal of such losses, where applicable); and
y) the disposal price.

(4) All heads of department under whose control any asset falls shall promptly provide the Accounting Officer in writing with 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.

(5) An asset shall be capitalised, 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 capitalised as an asset.

(6) The Accounting Officer must ensure that a defined process and forms exist to update and maintain the asset register promptly.

(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 removal of such an asset from the register.

(8) The proposed formats to be used for reporting the different asset categories to National Treasury are included under Appendix 6.

Reconciliation of fixed asset register and accounting records	85.	(1) The accounting officer shall prepare quarterly and annual reconciliations of the values as per asset register and the values as per the asset accounts in the general ledger/ accounting records. (2) In carrying out the reconciliation, the accounting officer shall ensure that: a) 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; b) 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; c) All additions are reflected in the accounting records as well as the register d) All disposals are reflected in the accounting records as well as the register e) The annual depreciation charge for each category of assets agree in both the asset register and the accounting records. f) Variances in any of the above parameters shall be investigated and resolved. g) The proposed format for Reconciliation of fixed asset register and accounting records is attached under Appendix 17.
Verification and condition assessment of physical assets	86.	(1) Verification and condition assessments of assets are an important internal control mechanism that reconciles the asset register to the physical assets, to confirm that the register is a complete and accurate record of an entity's physical asset holding. (2) 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. (3) Unreconciled differences should be subject to investigation and follow-up of exceptions. (4) Every Accounting Officer shall at least once during every financial year undertake a comprehensive verification and condition assessment of all assets controlled or used by the public sector entity. (5) The Accounting Officer shall document the results of asset verification and condition assessments, provided that each assessment shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall finalised not later than 30 June of the year in question. (6) The public sector entity shall undertake regular assessment of the conditions and performance of all assets in order to determine the ability of these assets to continue to perform and provide services into the future. Where appropriate, information collected on the condition shall be recorded in the asset register. (7) The assessment of the condition of assets shall be conducted in the following instances: a) Before preparation of annual financial reports; b) In case 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. (8) Asset condition assessments and monitoring of asset performance indicators will assist entities to optimise their asset base and make asset decisions on a consistent and reliable basis.

Verification assessment of intangible assets	87.	(1) Every Accounting Officer shall, at least once during every financial year, undertake a comprehensive verification and condition assessment of all intangible assets controlled or used by the public sector entity. (2) 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, public sector entities should have substantial documentation related to their ownership. b) Direct correspondence with third parties involved in the creation of the assets.
Valuation approaches	88.	(1) Valuation of assets and liabilities shall be conducted by valuers in the relevant government ministries and agencies. (2) In the absence of quoted prices for an identical asset, fair values are to be determined using valuation techniques that are appropriate in the circumstances and for which sufficient data is available. (3) Valuation techniques used to calculate 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) 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-specialised 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. (5) 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. (6) 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.

Borrowing/loaning of assets between entities	89.	(1) Assets may be taken away from a public sector entity's premises only if their taking away/borrowing is authorised in writing beforehand by the Accounting Officer. (2) Requests to borrow assets are to indicate the specific need and expected period of use. (3) Where assets are routinely required to be used away from the lending public sector entity's premises in the pursuit of official business, standing written loan arrangements for individual officers or employees are to be put in place. (4) The borrowing public sector entity has a duty of care to ensure that the borrowed asset: a) is not lost or damaged; and b) is returned by the specified date; and c) is in good working condition. (5) The Accounting Officer 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; 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 returned. (6) Loans of physical assets to parties external to the public sector entity are to be recorded, as well as the loan being acknowledged in the asset sign-out register. (7) The Accounting Officer shall sign-off on all assets borrowed by other entities from the public sector entity. (8) 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 the public sector entity, or the loan arrangement allowed to continue with further reviews at six monthly intervals. (9) The proposed format for asset sign-out register is attached under Appendix 14.
Handover of assets by officers	90.	(1) Where officers are leaving an institution (for instance where they are leaving the employment of the entity or have been transferred to another entity) or where staff are transferred to another unit/department within the same entity, they must complete the asset handover form in a format such as prescribed. (2) In case the assets are required by the unit for the replacement staff, the assets should be handed over to the replacement staff in the presence of the Accounting Officer. If the assets are no longer required, they should be returned to the store for reallocation to another user. (3) The proposed format for handing over report is attached under Appendix 16.

Losses and write offs of non-financial assets	91.	(1) Losses and write-offs of non-financial assets shall be in accordance with the provisions of sections 69 of the PFM Act, 2012. This is expounded in sections 145 – 159 of the PFM (National government) Regulations, 2015 and sections 138 – 152 of the PFM (County governments) Regulations, 2015. The regulations prescribe thresholds for write offs of losses as follows: a) An Accounting Officer can write off a maximum of Kshs 100,000 for any one incidence in a financial year; b) amounts more than Kshs 100, 000 but less than one percent of the entity approved estimates for any one incidence require the approval of the Cabinet Secretary; and c) Approval of more than one percent of the entity's budget for any one incidence require the approval of the Cabinet. (2) The sections of the regulations also prescribe the responsibilities of Accounting Officers with respect to write offs of losses, procedures for handling losses, categories of losses, investigation of losses and write off of losses. (3) In accordance with section 153 of PFM (National government) Regulations, 2015 and section 146 of the PFM (County governments) Regulations, 2015 the Accounting Officer is required to maintain a register of all losses incurred in their entity during a financial year. The register is to be submitted to the Auditor General for audit with a copy to the National Treasury. (4) The loss register shall include the following details about each loss: a) the details of the item lost or written off, for example, asset code, description, value; b) a statement as to the circumstances of the loss, for example, dates, personnel involved, how the loss occurred etc.; c) the loss category, for example, theft, destroyed etc.; d) the corrective action taken; e) the general ledger account and cost centre codes; f) the preparer's name and title; and g) the name and title of the approval officer, who must have a losses delegation. (5) The term 'losses' does not include: a) losses on the sale of non-financial assets; b) losses on retirement of technically obsolete non-current assets; c) losses on retirement of non-financial assets which were subject to surrender to a donating party; d) impairment losses of fixed assets; or e) routine inventory adjustments within acceptable thresholds. (6) 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. (7) Write-offs of non-financial assets could be due to loss, theft, destruction, material impairment or decommissioning of the asset in question, among others. (8) The disposal committee shall report to the Accounting Officer on any assets which it recommends to have written off, stating in full the reason for such recommendation. (9) Assets can be only be written-off by the Accounting Officer 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.

Obsolescence	92.	(1) 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. (2) Obsolescence can be functional, economic and physical. 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. 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. 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. (3) 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 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) The accounting officer is responsible for ensuring that assets are assessed for obsolescence and subsequent action.
Assets hand-over after project closure/ closure of government entities	93.	(1) All project assets should be reported to the National Treasury annually. The accounting officer is responsible for ensuring that all project assets are correctly identified, recorded and reported. (2) After completion of a project, a proper closure procedure should be carried out as part of the tasks. The Accounting Officer shall carry out the physical counts of fixed assets and update the fixed asset list before assets are handed over to become the property of the public sector entity under which the project was carried out. (3) The project assets received by the public sector entity shall be recorded in the books of the public sector entity using book values as recorded in project records or at fair value. (4) The project assets, which were procured under a grant, will be transferred to the public sector entity under which the project was implemented. (5) The Accounting Officer shall prepare an official transfer letter of assets from the project giving the public sector entity custody of the assets and notifying the National Treasury/County Treasuries of the additional assets in the National/County Government fixed assets register. (6) Where such entity is a body corporate, the assets shall be registered in the name of the entity, otherwise all other assets shall be registered under the Cabinet Secretary to the Treasury of Kenya.

Management of portable and attractive items	94.	(1) Portable and attractive items are non-consumable items that have values below the asset recognition threshold 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. (2) Entities may set different thresholds for different categories of items depending on the risk associated with each category and entity's operating environment. Such items must be registered for physical control purposes. (3) The Accounting Officer of every public sector entity is responsible for ensuring that portable and attractive items are physically controlled, accounted for and managed appropriately. Each entity must actively monitor all instances where portable and attractive items leave the control of the entity by way of an asset sign-out register. (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 Accounting Officer and adjustment of the attractive items register. g) Attractive items will not be: i) Capitalised as an asset, ii) Depreciated, iii) Revalued or tested for impairment, or iv) Otherwise treated as a long-term asset. (5) Portable and attractive items shall be tagged for identification purposes and recorded at cost in the Portable and attractive items register. (6) An officer shall hand over all portable assets under their care to the Accounting Officer on leaving the entity. (7) On disposal, the Accounting Officer, in liaison with the relevant authority for the specific class of assets, shall determine the reserve value for sale to interested parties. Officers who wish to purchase such portable assets can do as long as they pay the reserve price determined for each item. (8) The format prescribed for the maintenance of the portable and attractive items register is included under Appendix 6(a).
		PART IV(i)D – DISPOSAL OF NON-FINANCIAL ASSETS
Overview	96.	This part covers the following: a) Introduction b) Disposal of land and buildings c) Disposal planning d) Segregation of duties during disposal e) Asset disposal methods f) Gifting of public property g) Replacement of assets

Introduction	97.	a) Legally public entities can dispose of assets subject to specific rules that may be issued by an independent government institution dedicated to assets management & disposal, such as Public Procurement Regulatory Authority, accounting officers are required to adhere to the following guidelines: a) Non-financial assets shall be disposed of in accordance with Parts VI and XIV of the PPAD Act, 2015 and Public Procurement Regulatory Authority (PPRA) regulations. The guidelines on disposal of assets in state corporations are also documented under section 13 of the State Corporations Act, Cap 446. b) Section 13 of the State Corporations Act, Cap 446, also provides guidelines on disposal of assets for state corporations where: (i) if they are current assets in the normal course of business carried on by that state corporation; (ii) where the disposal and the utilization of the proceeds have been taken into account in an annual estimate prepared and approved by the Cabinet Secretary responsible for the state corporation with concurrence of the Treasury; (iii) by way of sale or otherwise with the approval of the Cabinet Secretary responsible for the state corporation and the Treasury where such disposal has not been taken into account in the estimates. c) Section 99(5)(a) of the PFM Act, 2012 also provides for the *"liquidation of specific assets, excluding those needed for the provision of the minimum level of basic services"* as part of a recovery plan for an entity in serious or persistent material breach of the Act. d) Any disposal of government assets must be conducted in a manner that achieves the best return to government. e) The National Treasury shall issue guidelines on the life span of different categories of assets for purposes of disposal in accordance with section 162 (5) of the PPAD Act, 2015. b) If an asset is to be disposed of in 6 months, the maintenance strategy should be adjusted accordingly to avoid incurring unnecessary costs. c) 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. d) Assets should be disposed of preferably, on '"as is, where is" basis and the public sector entity shall try as much as possible to obtain the most advantageous return from sales/ disposal of its property.
Asset disposal methods	98.	(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. (2) The procedures to be followed under each of the methods will be prescribed. (3) 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.

Requirement for disposal of assets	99.	The following requirements shall apply regarding disposal of assets: (1) The public sector entity shall not dispose of an asset needed to provide the minimum level of entity services; (2) Following a comprehensive physical verification of fixed assets, the Accounting Officer has the responsibility to identify and recommend assets for disposal. (3) No disposal of fixed assets can be conducted without the prior authorisation of the entity accounting officer. (4) Where the disposal committee has resolved that a specific asset is not needed to provide the minimum level of services, the disposal of the asset must be fair, equitable, transparent, competitive and consistent with the Constitution and the PPAD Act, 2015.
Grounds for disposal	100.	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 (in respect of which the asset custodian can provide evidence); c) The public sector entity 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 service. e) it reaches the end of its useful life f) it is treated as a surplus; or g) it is considered as underperforming.
Disposal planning	101.	(1) A disposal plan should be an integral part of the asset management plan of a public sector entity in that it leads into the planning process for new or replacement assets and is a powerful management tool in assessing why the performance of certain assets may not have worked as intended. (2) Significant revenues may arise from asset sales and such funds shall be handled in accordance with National Treasury guidelines on revenue management. (3) The disposal of assets shall be planned for in accordance with the PPAD Act, 2015 as detailed in sections 53(4) and 53(5). In general, the Act requires asset disposals to be planned for by the accounting officer in a format set out in the Regulations. In addition, procurement and asset disposal planning shall be based on indicative or approved budgets which shall be integrated with applicable budget processes and in the case of a State Corporation or County Corporation, such plans shall be approved by the Cabinet Secretary or the County Executive Committee member responsible for that entity. (4) The disposal plan should 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.

Fair, equitable, transparent and competitive disposal	102.	To ensure that a disposal is fair, equitable, transparent and competitive, the following shall happen: 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 government valuer; b) The disposal process shall be open to public participation and scrutiny; c) The disposal process shall be consistent with the Part XIV of the PPAD Act, 2015; d) 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. e) 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.
Disposal of land and buildings/ immovable property	103.	(1) Disposal of land and buildings in the public sector entities shall require approval by the National Lands Commission and concurrence from the National Treasury (National Government and County Treasury (County Government). In accordance with Regulation 198 (12) of the PPAD Regulations requires the accounting officer to submit a disposal proposal on land and buildings to the National Treasury. (2) Public sector entities shall submit a justification/business case for sale to the Cabinet Secretary to the Treasury of Kenya or CEC member for Finance, as applicable, setting out the rationale and means of disposal, taking into account the requirements of the PPAD Act, 2015. (3) Decisions to dispose of property must take into account government objectives and, demonstrate delivery of best value for money.
Donation (Giving) of public property	104.	Only the Cabinet Secretary to the Treasury of Kenya, may approve an asset to be used as a donation from one public entity to another or to private individuals and entities as provided for under Cabinet Secretary to the Treasury (Incorporation) Act chapter 101, Revised 2012.
Segregation of duties during disposal	105.	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.
Replacement of assets	106.	(1) Assets that are replaced shall be removed from the asset register and written off at their carrying value following the provisions set out in these guidelines. (2) The replacement asset shall be accounted for as a separate new asset and treated in accordance with acquisition guidelines.
		PART IV(i)E – ACCOUNTING FOR NON-FINANCIAL ASSETS

Overview	107.	This part covers the following: a) Recognition b) Measurement at recognition c) Measurement after recognition d) Capitalisation 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
Introduction	108.	Accounting for non-financial assets are detailed in relevant IPSAS and IFRS for each category of assets in addition to other requirements that could be prescribed by the Cabinet Secretary, PSASB and other mandated body. Public entities are guided to apply accounting standards as currently approved by the PSASB. As a general guide on the use of IPSAS or IFRS /IAS by a public sector entity, IPSAS states that *"the IPSASs are designed to apply to public sector entities that meet all the following criteria:* *a) Are responsible for the delivery of services to benefit the public and/ or to redistribute income and wealth;* *b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and* c) *Do not have a primary objective to make profits.*" Only public sector entities that do not satisfy all of these criteria should apply IAS or IFRS. The sections below will act as a general accounting guide for public sector entities but accounting officers shall make reference to the relevant accounting standards as applicable to the various categories of assets and liabilities.
Recognition	109.	An item will be recognised 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 the public sector entity; b) The cost of the asset to the public sector entity can be measured reliably; c) The public sector entity has control over the asset; d) The costs is above the capitalisation threshold as stipulated under Appendix 5; and e) The asset is expected to be used for more than one financial year.

Measurement at recognition	110.	(1) An item that qualifies for recognition as a non-financial asset shall be initially measured at its "cost of acquisition". (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, among others: 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. (3) Administration and other overhead costs cannot be regarded as directly attributable costs and can therefore not be included in the cost price. As a result, the costs related directly to the administrative process surrounding a tender, such as the tender costs and advertisement costs, cannot be regarded as capital expenses. (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 the public sector entity. The entity should be able to prove that the project will be undertaken and that the cost is a directly attributable cost of bringing the asset to its working condition for its intended use. (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 is recognised as an interest expense over the period of credit, and hence not included in the cost of the asset. (6) Where an item of 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, the nominal value or management estimate, as at the date of acquisition and, included in the asset register.
Measurement after recognition	111.	(1) After initial recognition of non- financial assets, a public sector entity shall value its assets using the cost model, unless a specific decision have been taken to revalue a certain class of assets. In such instances the assets will be valued using the revaluation model. (2) When an asset is revalued, the entire class of assets to which the asset belongs, should be revalued, in accordance with international accounting standards. (3) For purposes of maintenance of asset records and book values, assets shall be valued by the Government Valuer.
Capitalisation threshold	112.	(1) The capitalisation threshold is the value above which assets are capitalised and reported in the financial statements as non-financial assets as opposed to being expensed in the year of acquisition. (2) To ensure efficiency in the administration of these Guidelines, the capitalization threshold of non- financial assets will be based on specific categories of assets as provided for under Appendix 5. (3) Non-financial assets with values below the prescribed thresholds will be expensed but their management will need to comply with the procedure on managing attractive and portable items as set out in these Guidelines. (4) The capitalisation threshold should not be applied to the components of an asset but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete because an asset recorded as such would not be a complete asset.

Subsequent expenditure on assets	113.	(1) Subsequent expenditure relating to an item of a non-financial asset that has already been recognised shall be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the public sector entity. (2) All other expenditure shall be recognised 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 capitalised, irrespective of the quantum of the expenses concerned. (3) Before allowing the capitalisation of subsequent expenditure, the Accounting Officer 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 that asset beyond the 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.
Depreciation - Overview	114.	(1) Depreciation refers to a systematic allocation of a depreciable amount of an asset over its useful life. (2) The depreciable amount of an item of non-financial assets shall be allocated over its useful life. (3) 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. (4) The depreciation charge for each period will be recognised as an expense. (5) Depreciation of an asset should 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) Depreciation of an asset ceases when the asset is derecognised. 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. (7) In the case of intangible assets being included as non-financial assets, the procedures to be followed in accounting for the amortisation of intangible assets shall be identical to those applying to the depreciation of tangible assets. (8) Depreciation is not provided on the following assets: a) Land; b) Cultural heritage assets; and c) Specialised equipment, exhibits, samples, functional and nonfunctional models, prototypes and other visual aids, belonging to laboratories and offices and used for scientific-research purposes. (9) Any Co-owned property, parties involved will sign a co-owned agreement clearly showing the proportion of ownership hence, depreciation will be shared accordingly.
Depreciation – Residual values	115.	(1) The residual value of an asset is the estimated amount that the public sector 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. (2) Residual values should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to assets that are normally disposed of by selling them once the public sector entity does not have a need for such assets anymore, e.g. motor vehicles. Assets typically not sold by the entity such as infrastructure and heritage assets, will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount. (3) The residual value of assets shall be reviewed annually at each reporting date. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in accordance with IPSAS 3 and IAS 8.
Depreciation - initial determination of useful life	116.	The initial determination of the useful life of various categories of assets shall be determined in accordance with Appendix 5 of these Guidelines.

Depreciation – Review of Useful life	117.	(1) The useful life of an item of non-financial assets shall be reviewed annually and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods shall be adjusted. (2) Changes in depreciation charges emanating from such adjustments should be accounted for as a change in accounting estimates in accordance with IPSAS 3 and IAS 8.
Depreciation – Depreciation method	118.	For purposes of adoption of these Guidelines, 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: Depreciation = $\frac{\text{(Cost/ valuation – Residual Value)}}{\text{Asset's useful life}}$
Revaluation of non-financial assets	119.	(1) Land, buildings, infrastructure and intangible assets recorded in a public sector entity's asset register shall be revalued at least once in a period of every (5) five years. Such revaluation shall be performed by the Government Valuer or a professional valuer appointed by the government valuer. (2) The Accounting Officer 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 Accounting Officer is satisfied that such value reflects the fair value of the non-financial asset concerned. (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. (4) The Accounting Officer 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 the public sector entity's statement of change in net assets. An adjustment of the aggregate transfer shall be made at the end of each financial year. (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.
Write-downs of non-financial assets	121.	(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 g) a change in the law or environment affecting the extent to which the asset can be used. (2) Write downs of assets should adhere to the thresholds set out in sections 145 – 159 of the PFM (National government) Regulations, 2015 and sections 138 – 152 of the PFM (County governments) Regulations, 2015.

Impairment of non-financial assets	122.	(1) Impairment 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 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). (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 should be recognised as an expense when incurred unless the asset is carried at revalued amount. (3) If the asset is carried at a revalued amount (in the case of investment property, heritage and infrastructure assets) the impairment should 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. (4) Assets shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense, unless it reverses a previous revaluation in which case it should be charged to the revaluation surplus. The reversal of previous impairment losses recognised as an expense, is recognised as an income. (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.
Accounting treatment on disposal of non-financial assets	123.	(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 delivery is expected. (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 comprehensive income. (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 comprehensive income of the public sector entity. 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 comprehensive income. (4) 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 the public sector entity. If, however, both gains and losses arise in any one financial year in respect of the alienation of the non-financial assets of any entity or vote, only the net gain (if any) on the disposal of such non-financial assets shall be appropriated. **Note: The statement of comprehensive income is used by those entities using IFRS and IAS. For those entities using IPSAS, IPSAS 1 requires, among others, a statement of financial performance and a statement of changes in net assets/equity. Public sector entities shall therefore ensure that the relevant accounting records as required by the applicable standards.**

Carrying values of assets	124.	(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. (2) In instances of revaluation, revalued assets shall be carried at revalued amounts less accumulated depreciation. *Reduction of the carrying amount* (3) 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. a) When such a decline has occurred, the carrying amount shall be reduced to the recoverable amount. b) The amount of the reduction shall be recognised as an expense immediately, unless it reverses a previous revaluation in which case it shall be charged to accumulated surpluses. c) For non-financial assets providing economic benefits, the recoverable amount is the net present value of future ownership. d) 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. *Subsequent increase in recoverable amount* (4) A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount 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. (5) The amount written back shall be reduced by the amount that would have been recognised as depreciation had the write down or write-off not occurred.
Accounting for leased assets	125.	(1) leased assets will be accounted for under the relevant accounting standards; IPSAS 13 or IFRS 16. (2) Under IPSAS, leases are categorised as either finance or operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. The title may or may not eventually be transferred. Assets acquired through a finance lease are capitalised. Finance lease assets shall be included in the statement of financial position. (3) An operating lease is any lease other than a finance lease. Generally, the risks and benefits incidental to the ownership of an asset are not substantially transferred to the lessee in this case. The lease payments are expensed in the statement of comprehensive income. **Note: The statement of comprehensive income is used by those entities using IFRS and IAS. For those entities using IPSAS, IPSAS 1 requires, among others, a statement of financial performance and a statement of changes in net assets/equity. Public sector entities shall therefore ensure that the relevant accounting records as required by the applicable standards.**
Accounting for Work-in Progress	126.	(1) Work in Progress (WIP) relating to construction of assets shall be not be capitalised 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 a public sector entity that are not completed at a point in time. (2) Depreciation is not applicable while assets are accounted for as WIP. (3) WIP relating to assets are transferred to the appropriate asset categories at the earliest occurrence of: a) execution of substantial completion of contract documents; b) completion/ occupancy; and c) when the asset is placed in service.

Accounting for abandoned assets	127.	(1) An asset is considered to be abandoned when it ceases to be used. (2) Depreciation expense should continue to be recorded to the date of actual abandonment. (3) If an entity commits to a plan to abandon an asset before the end of its previously estimated useful life, depreciation estimates should be revised to reflect the use of the asset over its shortened useful life. This will accelerate the depreciation expense over the remaining periods prior to the date of abandonment. (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.
Assets held for sale	128.	(1) A non-financial asset to be sold shall be classified as held-for-sale in the period in which all of the following criteria are met: a) The Accounting Officer commits to a plan to sell the asset; b) The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; c) An active program to locate a buyer and other actions required to complete the plan to sell the asset has been initiated; d) The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; e) The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and f) Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. (2) If at any time the above criteria are no longer met, a non-financial asset classified as held–for-sale shall be reclassified as held and treated in the relevant class of assets. (3) Assets classified as held-for-sale should be recorded at the lower of their carrying amount or fair value less costs-to-sell. A loss should be recognized for any write-down to fair value less cost-to-sell and should be recorded as a component of cost of products sold (productive assets) or idle assets. a) Costs-to-sell include brokerage commissions, legal fees, title transfer fees, and other closing costs that must be incurred prior to transfer of legal title to assets. b) An entity may not accrue expected future losses associated with the asset. Costs associated with the disposal (i.e. costs of consolidating or closing facilities) are to be recognised when the actual costs are incurred. (4) Asset classified as held-for-sale should be reclassified from the appropriate asset ledger account into a separate Assets-held-for-sale- account. Non-financial assets that are classified as assets held-for-sale are not to be depreciated. (5) There may be instances when an entity, business or a division is being sold. As a result, both current and long-term liabilities need to be reclassified to liabilities related to assets held-for-sale. (6) The Accounting Officer must approve all reclassifications to the assets held-for-sale and liabilities related to assets held-for-sale accounts.
Sale leaseback transactions	129.	(1) A public sector entity may sell an asset and simultaneously enter into a lease with that purchaser to leaseback a portion or the entire asset that was sold. a) Any gains associated with a sale leaseback transaction are to be deferred and amortized over the term of the lease. b) If the gain is considered to be immaterial, there should be no deferral of the gain. c) The lease must be evaluated to determine whether the lease is to be accounted for as a capital or operating lease. (2) Leased assets will be accounted for under the relevant accounting standards; IPSAS 13 or IFRS 16.
Financial statement disclosures	130.	The disclosure requirements for non-financial assets are detailed in relevant IPSAS and IFRS for each category of assets in addition to other requirements that could be prescribed by the Cabinet Secretary, PSASB and other mandated body.

		PART IV (ii) – FINANCIAL ASSET MANAGEMENT GUIDELINES
Overview	131.	This part covers the following: a) Introduction b) Definition of financial asset c) Objectives of financial asset guidelines d) Scope e) Integrated planning and budgeting
Introduction	132.	(1) An Accounting Officer has an obligation to ensure that an entity's resources are managed effectively and efficiently. (2) An Accounting Officer therefore has a responsibility to invest public funds knowledgeably and judiciously and, must be able to account fully to the public with regard to such investments. (3) Financial assets such as cash, bank deposits, and accounts receivable (money owed to an entity but not yet received) are used to manage the flow of cash in public sector entities. Also, targeted funds (such as investments in treasury bills, bonds and shares) are set aside to meet future liabilities. (4) The management and governance of financial assets depend on many factors, including legislative requirements (for example, the PFM Act, 2012 requirements), their investment features, and the reason for, and time frame involved in, holding them. ***NB: The financial assets guidelines are general and should be read together with the specific guidelines for each category of assets.***
Definition of financial asset	133.	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 asset are: • Cash and bank • Equity instruments of other entities held by the entity (for example, shares). • A contractual right to receive cash or another financial asset from another entity (i.e. receivables). • A contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity (for example derivatives)
Objectives of financial asset guidelines	134.	The key objectives of financial asset guidelines are to: a) Provide a framework for the prudent and effective management of financial assets. b) Ensure that financial assets are managed in accordance with current governing legislation and Government's strategic and commercial objectives. c) Manage financial assets in a sustainable and equitable way. d) Recognise the public ownership of these assets and the need for a balanced investment/risk profile. e) Ensure public sector entity assets are managed prudently and adequately safeguarded. f) Maximise income from financial assets, within a prudent level of risk. g) Ensure funds are available to meet public sector entity needs. h) Maintain professional relationships with public sector entity debtors, bankers, financial market participants and other stakeholders. i) Regularly review the performance and recoverability of financial assets. j) Maintain procedures and controls and provide timely and accurate financial and management information.
Scope	135.	These guidelines cover all financial assets held by public sector entities including cash and cash equivalents (including bank and cash balances), receivables (including accounts receivable, loans receivable and other receivables) and investments.

Integrated planning and budgeting	136.	The Accounting Officer shall ensure that: a) financial asset management decisions are integrated with strategic planning; b) financial asset planning decisions are based on an evaluation of alternatives which consider the costs, benefits and risks of ownership; and c) costs as well as revenues are considered during the budgeting process.
		PART IV(ii) A – ACQUISITION OF FINANCIAL ASSETS
Overview	137.	This section covers: a) Introduction b) Principles of financial assets acquisition
Introduction	138.	(1) The Accounting Officer shall ensure that all acquisitions of financial assets are guided by applicable laws and regulations. (2) The Accounting Officer shall be responsible for ensuring optimal mix of financial assets, including investment of funds, and shall manage such investments in compliance with any policy directives formulated by the National Treasury and prescriptions made by Cabinet Secretary. (3) In making investments in financial assets the Accounting officer, shall at all times have only the best considerations of the public sector entity in mind, and, shall not accede to any influence by, or interference from, investment agents or institutions or other outside parties.

Principles of financial assets acquisition	139.	The following principles should guide public sector entities in acquisition of financial assets: *i. Limiting Exposure* Where funds are available for investment in various financial assets, the Accounting Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the public sector entity. The Accounting Officer shall further ensure that, as far as it is practically and legally possible, the entity's investments are so distributed that more than one investment category is covered (for example, call, money market and fixed deposits). *ii. Risk and Return* Although the objective of the Accounting Officer in making investments in financial assets on behalf of the entity shall always be to obtain the best return/ interest rate on offer, this consideration must be tempered by the degree of risk involved with regard to both the institution and the financial instrument concerned. In particular: • No financial asset shall be acquired with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. • Deposits shall be made only with registered and authorised deposit-taking institutions. • The credit worthiness of debtors shall be reviewed before credit is advanced for goods and services supplied by the entity. *iii. Payment of Commission* In case of financial investments, every financial institution from which the entity acquires a financial asset must issue a certificate to the Accounting Officer, in the name of the public sector entity, in regard to such investment, stating that such institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment. *iv. Compliance with applicable laws and regulations* The Accounting Officer of every public sector entity shall ensure that the acquisition of financial assets complies with applicable laws and regulations. In particular, acquisition should be compliant to National Treasury circulars issued from time to time. *v. Investment in financially sound institutions* Public sector entities shall ensure that investments are held with financially sound institutions.
		PART IV(ii)B – CONTROL AND MANAGEMENT OF FINANCIAL ASSETS
	140.	This part covers: a) Introduction b) Maintaining internal controls c) Processing transactions and record keeping for financial assets d) Physical security of financial assets e) Losses and write offs of financial assets f) Unclaimed financial assets g) Liquidation/ utilization/ disposal of financial assets

Introduction	141.	(1) Control and management activities of financial assets play an important role in fulfilling a public sector entity's strategic goals. (2) Accounting Officers should implement efficient processes and systems capable of supporting the types of financial assets that entities hold. The processes and systems should be capable of providing timely and detailed information to management, the public, regulatory agencies, and other authorized parties, to support effective decision making. (3) The control and management of financial assets includes maintaining internal controls, processing transactions and record keeping, safeguarding assets, review of losses and write offs, treatment of unclaimed assets as well as liquidation/ utilisation of disposal of the assets.
Maintaining internal controls	142.	(1) Financial assets are usually easier to buy, hold, and sell when compared to physical assets, can be owned in small or divisible amounts, and have values that are more responsive to changing circumstances and market conditions. They can therefore introduce liquidity and flexibility, which can be particularly important in times of change and uncertainty, to provide the necessary cashflows to an entity. (2) Financial asset management operations involve control of cash balances, marketable securities, and receivables. (3) Financial assets are susceptible to risk of loss due to error, misappropriation or theft. The market volatility of some of the financial assets may also increase the impact of such losses. In addition, financial assets are governed by legislation which should be adhered to in their acquisition, holding and operations. (4) As a result of the foregoing, a strong system of internal controls is required to be set up by each public sector entity with respect to financial assets. The Accounting Officer shall establish support systems and processes integral to overall risk management and compliance processes. NB: Public entities are guided to apply specific controls as contained in the specific guidelines for each category of assets.
Processing transactions and record keeping for financial assets	143.	(1) The Accounting Officer shall ensure that proper records are kept of all financial assets acquired by a public sector entity. For example: a) Separate cash and bank records shall be maintained for each bank account and each imprest maintained by a public sector entity. b) A separate record shall be maintained for each officer/ employee and regular customer of a public sector entity. c) A separate ledger account shall be maintained for each investment held. Such records shall indicate the date on which the investment was acquired, the institution with which the investment is held, the amount of the investment, the interest rate applicable, and the maturity date, where applicable. If the asset is liquidated at a date other than the maturity date, such date shall be indicated. (2) The Accounting Officer shall ensure that necessary approvals are provided for all financial asset transactions in accordance with the procedures established by the entity. Such transactions shall also be processed into the correct ledger accounts. (3) The Accounting Officer shall ensure that all interest and capital properly due to the public sector entity from its investments are received on a timely basis and, shall take appropriate steps or, cause such appropriate steps to be taken, if interest or capital is not received fully or on a timely basis. NB: Public entities are guided to apply specific as contained in the specific guidelines for each category of assets.

Physical security of financial assets	144.	(1) The Accounting officer is responsible for ensuring that adequate arrangements are developed, implemented and maintained for the security and control of all financial assets within the public sector entity, during and outside normal working hours, ensuring that: a) as far as is practicable, cash shall be kept at a bank; b) petty cash is locked away in a secure place when not in use; and c) where collections, salaries and wages/ contract labour payments, accountable advances, investment certificates or other financial assets are held in the custody of an authorised accounting officer, reasonable security is provided to restrict the access of unauthorised persons to those assets. (2) The Accounting Officer shall determine the cash requirements of the entity in setting the limits of cash to be held at hand. (3) Due to accountability requirements, specifications for safes, strongboxes, and strong rooms should be given special consideration before purchase. (4) Where a safe, strongbox or strong room is fitted with a combination lock, the combination relating to that lock must be known only by those officers responsible for opening the device at the beginning of each day and, reeling off the combination at the end of each day. (5) The combination must be changed: a) upon the departure of an officer previously using such device; b) where knowledge of the combination by un-authorised persons is suspected; c) where an officer is no longer responsible for the safe, strongbox, or strong room; or d) at least annually. (6) A full set of spare keys to secure storage devices must be placed in the safe custody of a bank or other place of security. (7) Duplication of keys to security devices shall only be done with the written authorisation of the Accounting Officer. Keys to security devices must be held by both the departmental officer with authorised access and another responsible officer, either on themselves, or otherwise in a secure place. (8) In the case of any pre-arranged absence of the key holding officer, responsibility for the key/s may be transferred to another officer. Otherwise, when the key holding officer is unavailable, and it is necessary to obtain access to the storage device, the key must be obtained from that officer, or the duplicate key obtained. The storage device is to be opened in the presence of two officers who are to count cash and take note of other financial assets contained therein and sign a record thereon. (9) The storage device shall be handed back to the key holding officer on his return after a count and recording of all assets in the storage device in the presence of two officers. All officers present shall sign off on the record, certifying all items have been handed back to the key holding officer. (10) Where any discrepancy or other weakness is discovered in a check of any internal control system, the officer performing the check is to ensure that the discrepancy or weakness is immediately investigated and, action is taken to ensure that it is rectified.

Losses and write offs of financial assets	145.	(1) Write-offs of financial assets shall be in accordance with the provisions of section 69 and 150 of the PFM Act, 2012 for national government entities and county governments, respectively. This is expounded in regulations 145 – 159 of the PFM (National government) Regulations, 2015 and regulations 138 – 152 of the PFM (County governments) Regulations, 2015. The regulations prescribe thresholds for write offs of losses as follows: a) An Accounting Officer can write off a maximum of Kshs 100,000 for any one incidence in a financial year; b) Write off of amounts more than Kshs 100, 000 but less than one percent of the entity approved estimates for any one incidence require the approval of the Cabinet Secretary to the Treasury of Kenya/ CEC member for Finance, as applicable; and c) Approval of write off of more than one percent of the entity's approved estimates for any one incidence require the approval of the Cabinet/ CEC, as appropriate. (2) The Regulations also prescribe the responsibilities of Accounting Officers with respect to write offs of losses, procedures for handling losses, categories of losses, investigation of losses and write off of losses. (3) In accordance with Regulation 153 of PFM (National government) Regulations, 2015 and Regulation 146 of the PFM (County governments) Regulations, 2015 the Accounting Officer is required to maintain a register of all losses incurred in their entity during a financial year. (4) The losses register shall be submitted to Auditor General with a copy to the National Treasury (Appendix). The register shall include the following details about each loss: a) the details of the item lost or written off, for example, asset code, description, value; b) a statement as to the circumstances of the loss, for example, dates, personnel involved, how the loss occurred; c) the loss category; d) the corrective action taken; e) the general ledger account and cost centre codes; f) the preparer's name and title; and g) the name and title of the approval officer who must have a losses delegation. (5) All write offs of financial assets must be adequately supported and all necessary approvals obtained before the amounts can be removed from asset and accounting records.
Unclaimed financial assets	146.	(1) In any instance where financial assets have been held in suspense accounts and can no longer be applied to the original purpose intended or otherwise applied, such assets shall be transferred to the Unclaimed Financial Assets Authority (UFAA). (2) The time period for determination of abandoned assets is stipulated in the UFA Act, 2011 and the Regulations, 2016. For example, in accordance with sections 4, 5 and 7 of the UFA Act, 2011, Revised 2012, and section 3 of the UFA Regulations, 2016, deposits for utility services, travellers cheques, money orders, life or endowment insurance policy or annuity contracts shall be transferred to UFAA after the expiry of two years after due date of payment. (3) Should a claim be subsequently made in respect of an amount that has been transferred to the UFAA, the public sector entity shall accord the necessary assistance to the claimant to obtain back the funds. (3) Sections 53(13), 53(14), 53(15), 144 (16), 144 (17) and 144 (18) of the PFM Act, 2012 provide guidelines on proceeds from government securities which have not been collected or cannot be paid to the holder because the whereabouts of the holder or his personal representatives are unknown, or the holder has died. After the expiry of six years, such funds are to be returned to the Exchequer account to form part of the Consolidated Fund or the Revenue Fund, as appropriate. The right of any person who has legitimate claim to the proceeds of a security is not affected by the payment of the funds to the Consolidated Fund or County Revenue Fund.

Liquidation/ utilization/ disposal of financial assets	147.	Financial assets can be eliminated or reduced in a number of ways: a) Disposal /sale of assets in the normal course of business, for example, sale of financial investments as well as utilisation of cash and cash equivalents for purchase of assets or settlement of liabilities; b) Discounting, for example, of receivables; c) Write offs, for example, of receivables; d) Impairment, for example, of investments due to changes in valuation of shares held by an entity and, making provisions for bad debts; and e) Transfer to third parties, for example, factoring arrangements where receivables are sold to transferees for a consideration.
		PART IV(ii)C - ACCOUNTING FOR FINANCIAL ASSETS
Overview		This part covers the following areas: a) Recognition b) Measurement c) Classification of financial assets – IFRS d) Impairment of financial assets e) De-recognition of financial assets f) Disclosure
Recognition	148.	In accordance with IPSAS 29 and IFRS 9, an entity shall recognise a financial asset in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of a financial instrument.
Measurement	149.	*Initial measurement* (1) In accordance with IPSAS 29 and IFRS 9 at initial recognition, an entity measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset. *Subsequent Measurement of Financial Assets* (2) For the purpose of measuring a financial asset after initial recognition, IPSAS 29 classifies financial assets into the following four categories: a) Financial assets at fair value through surplus or deficit; b) Held-to-maturity investments; c) Loans and receivables; and d) Available-for-sale financial assets. (3) After initial recognition, an entity shall measure financial assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets: a) Loans and receivables, which shall be measured at amortised/ adjusted cost using the effective interest method; b) Held-to-maturity investments, which shall be measured at amortised/adjusted cost using the effective interest method; and c) Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

Classification of financial assets - IFRS	150.	(1) In accordance with IFRS 9, when an entity first recognises a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics, as follows: a) Amortised cost—a financial asset is measured at amortised/ adjusted cost if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. b) Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. c) Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss. (2) When, and only when, an entity changes its business model for managing financial assets it must reclassify all affected financial assets.
Impairment of financial assets	151.	In accordance with IFRS 9 and IPSAS 29, impairment of financial assets is recognised in stages: a) Stage 1 — as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses). b) Stage 2 — if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1. c) Stage 3 — if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.
De-recognition of financial assets	152.	An entity shall derecognise a financial asset when, and only when: a) The contractual rights to the cash flows from the financial asset expire or are waived; or b) It transfers the contractual rights to the financial asset thus transferring substantially all the risks and rewards of ownership of the financial asset.

Disclosure	153.	*Classification between current and non-current assets* (1) Except where an Accounting Standard requires otherwise, assets shall be categorised in the Statement of Financial Position as either current or non-recurrent. The public sector entity is deemed to have an operating cycle of twelve months for the purposes of classifying current and non-current assets. (2) The public sector entity shall classify an asset as current when the asset is due to be realised within twelve months after the end of the financial year. (3) The entity shall classify all other assets as non-current. *Disclosures to be made* (4) Financial assets shall be disclosed according to their nature, for example: a) Cash and cash equivalents; b) Receivables; c) Investments; d) Deposits and prepayments; and e) other financial assets. (5) The public sector entity shall present separately each material class of similar assets. (6) This form of presentation assists users to identify significant characteristics of the performance, financial position and investment activities of the public sector entity. However, where line items such as interest-bearing assets provide more relevant information due to their size, nature or function, they shall be listed separately on the Statement of Financial Position. (7) The line item for 'other assets' shall not exceed ten percent of the value of total assets. (8) Where an asset is based on a fixed and predetermined amount, that asset shall be disclosed at cost. Where an asset is based on an estimate, the asset shall be at fair value. IPSAS 29 Financial Instruments: Recognition and Measurement details the initial and subsequent measurement requirements for financial assets. (9) Assets shall not be offset against liabilities unless required or permitted by an Accounting Standard.
		PART V – LIABILITY MANAGEMENT GUIDELINES
Overview	154.	This part covers the following: a) General management of liabilities b) Accounting for liabilities
		PART V(A) – GENERAL MANAGEMENT OF LIABILITIES
Overview	155.	This part covers the following areas: a) Definition of liabilities b) Characteristics of liabilities c) Classification of liabilities d) Purpose of liability management guidelines e) Objectives of liability management f) Establishment of liability management systems g) Planning for liabilities h) Processing of liabilities i) Maintenance of liability records j) Capital commitments k) Contingent liabilities l) Settlement of liabilities
Definition of liabilities	156.	A liability is a legally binding obligation payable to another entity. Liabilities are defined as present obligations of an entity for an outflow from the entity of resources arising from past events.

Characteristics of liabilities	157.	A liability has three essential characteristics: a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand, b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and c) the transaction or other event obligating the entity has already happened.
Classification of liabilities	158.	(1) Liabilities include, but are not limited to: a) Accounts payable; b) Accruals; c) Provisions; d) Loans payable/ borrowings; e) Pension and other employee entitlements; and f) Other liabilities. (2) Capital commitments are liabilities relating to future periods due to obligations entered into by an entity. (3) Contingent liabilities are likely liabilities due to the occurrence of a future event.
Purpose of liability management guidelines	159.	These liability management guidelines constitute the liability management policy and procedure guide which clearly establishes what is required to identify, record, account for and control liabilities within the legislative and regulatory environment of the country. ***NB: The Liabilities guidelines are general and should be read together with the specific guidelines for each category of Liabilities.***
Objectives of liability management	160.	The objectives of these liability management guidelines are to ensure that: a) all liabilities are incurred for the official purposes of a public sector entity; b) all liabilities are approved in writing by the Accounting Officer; c) proper and effective controls are maintained over the recording and payment of liabilities; d) subject to overriding legal considerations, liabilities are incurred and are recorded in the name of the appropriate legal entity; e) liabilities are incurred in accordance with all relevant laws, regulations, contracts, agreements and other prescribed requirements and practices set down; f) borrowings or other financial arrangements are approved by the Accounting Officer, and in accordance with any relevant statutory requirements; g) liabilities are paid in accordance with the applicable payment terms and conditions; h) liabilities are met from identified funds available under an approved budget; i) transactions are supported by readily accessible records, documentation is systematically filed and, securely stored, and adequate audit trails are maintained; j) relevant and reliable information is obtained to enable all internal and external reporting and, accountability requirements are satisfied; k) liabilities are managed, controlled and reported in accordance with all statutory and organisational requirements; and l) To determine fiscal space (as applicable), i.e. to determine to what extent a government or public sector entity can accommodate more debt.

Establishment of liability management systems	161.	Accounting Officers shall ensure that adequate systems, including effective internal controls, are established, maintained and documented to ensure that all liabilities are: a) incurred with proper authorization; b) promptly identified, assessed and recorded; c) managed efficiently and effectively; d) paid in accordance with the public sector entity payment guidelines, where settled by the payment of money; and e) minimised, for example, with regard to potential litigation claims.
Planning for liabilities	162.	(1) Prior to authorising the incurrence of any liability, any Accounting Officer must ensure that: a) sufficient budgeted funds are available to allow the expense to be incurred and payment to be made when it falls due; b) the expenditure is for authorised official purposes and for the proper provision of goods and/or services in accordance with approved public sector entity tasks, goals and objectives; and c) the relevant requirements of any applicable public sector entity policies have been observed. (2) Public sector entities should forecast their cash flows and assess the income statement impacts of future transactions to ensure that they are able to satisfy their liabilities as they fall due. Sufficient details, which are accurate, valid and complete about these liabilities, should be recorded.
Processing of liabilities	163.	(1) Authority for the incurrence of liabilities must be in accordance with an entity's liability management guidelines as well as the entity's financial and procurement delegation thresholds. (2) All liabilities must be verified to ensure payments are made to the correct service provider, for the correct amount and, for goods and services delivered. (3) The responsibility of the Accounting Officer is to ensure that a public sector entity pays only the entity's bills and invoices that are legitimate and accurate. This means that all payments for liabilities should be adequately supported. (4) Payments for liabilities must be made in accordance with the service provider's terms of agreement/ contract. (5) Procedures must be established to ensure that all liabilities are paid at such a time as to maximise the public sector entity's cash flow and still take advantage of any discount terms offered. (6) The processing of payments to suppliers should take into account the timelines provided in a public sector entity's service charter.
Maintenance of liability records	164.	(1) Regulations 102 of the PFM (National government) Regulations, 2015 and section 102 of the PFM (County governments) Regulations, 2015 requires Accounting Officers to "take all reasonable precautions to safeguard against damage, destruction of or falsification of any financial record required to be kept by the provisions of the PFM Act, 2012", including records relating to liabilities. (2) Regulations 104 of the PFM (National government) Regulations, 2015 and section 104 of the PFM (County governments) Regulations, 2015 also provide guidelines on the preparation of vouchers to support all receipts and expenditures of public moneys. All transactions are to be supported by appropriate authority and documentation and, all vouchers are to be made out of indelible ink with adequate narration of the particulars of services goods or works procured and paid for. (3) Regulations 118 of the PFM (National government) Regulations, 2015 and section 118 of the PFM (County governments) Regulations, 2015 requires all accountable documents, whether manual or electronic, to be under strict control at all times. Accountable documents include receipt books, Authority to Incur Expenditure (AIE), cheques, request for quotations documents, LPOs, and imprest warrants. (4) The retention of documents and records is governed by Regulations 119 of the PFM (National government) Regulations, 2015, and section 118 of the PFM (County governments) Regulations, 2015, where different retention periods are prescribed for different types of accountable documents and accounting records.

Capital commitments	165.	(1) 'Capital commitment' can be defined as an intention to commit public sector entity resources (usually funds) to a future event, that: a) is normally supported by a contract or a Purchase Order (PO); b) is normally quantifiable and, therefore, measurable; c) may extend over multiple reporting periods; and d) binds parties to performance conditions. (2) A public sector entity may enter into a purchase contract before the reporting date for expenditure over subsequent accounting periods, for example, the purchase of major items of plant and equipment or significant consultancy contracts. In such an event, a commitment exists at the reporting date as the entity has contracted for expenditure, but no work has started, and no payments have been made for the future periods. (3) A capital commitment does not meet the recognition criteria for liabilities as there is no present obligation for payment, however, commitments are required to be disclosed in the notes to the annual financial statements. (4) A capital commitment becomes a liability when, for example: a) construction of an asset commences; b) items of equipment are received; c) office supplies are delivered; or d) external consultants commence their engagement.
Contingent Liabilities	166.	(1) A contingent liability is a potential liability that may or may not become an actual liability. Whether the contingent liability becomes an actual liability depends on a future event occurring or not occurring. (2) Examples of contingent liabilities include among others: a) legal claims against the public sector entity; b) Letters of support/ comfort; c) Indemnities, d) Insurance claims, e) PPP arrangements; and f) guarantees and undertakings given to other entities in respect of transactions such as loans, interest payments or overdrafts. (3) Contingent liabilities should be disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. (4) Risk management practices should be followed in order to minimise the likelihood, and impact of contingent liabilities. (5) Procedures must be implemented within each public sector entity to ensure that any contingent liabilities arising are: a) promptly identified, recorded and monitored; b) valid; and c) appropriately documented. (6) Failure of an entity to identify and plan for contingent liabilities could result in unplanned for cash outflows being made by an entity, which could adversely affect its operations once the stipulated event occurs. (7) The proposed register format for contingencies liabilities is attached in appendix 7(b).
Settlement of liabilities	167.	(1) The settlement of a present obligation usually involves the public sector entity giving up resources embodying economic benefits in order to satisfy the claim of the other party. (2) Settlement of a present obligation may occur in a number of ways, for example, by: a) the payment of cash or provision of services; b) the transfer of related assets; c) the replacement of that obligation with another obligation; and d) a creditor waiving or forfeiting rights.
		PART V(B) - ACCOUNTING FOR LIABILITIES

Overview	168.	This part covers the following areas: a) Recognition b) Measurement c) Estimation d) De-recognition e) Disclosure
Recognition of liabilities	169.	(1) A liability must be recognised only when: a) the transaction or event requiring a future sacrifice has occurred; b) it is probable, that is, it is more likely rather than less likely, that a future sacrifice will be required to be made; and c) the amount can be valued or estimated reliably without undue bias or error. (2) Where the above is not satisfied, the potential future liability may warrant disclosure in the annual financial statements notes as this information may be relevant to financial statement users. An example of this may be a contingent liability (a possible obligation that may arise from uncertain past/future events) or a capital commitment for future expenditure. (3) A transaction which, at a particular point in time, fails to meet the recognition criteria for a liability, for example, a lawsuit, may qualify for recognition later as a result of subsequent circumstances or events. (4) Potential future liabilities, for example, contingent liabilities and capital commitments for future expenditure, are also to be disclosed in the notes to the financial statements, as this information may be relevant to financial statement users.
Measurement of liabilities	170.	*Initial measurement* (1) In accordance with IFRS 9 and IPSAS 29, at initial recognition, an entity measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial liability. *Subsequent Measurement of liabilities* (2) After initial recognition, an entity shall measure all financial liabilities at amortised/ adjusted cost using the effective interest method, except for: a) Financial liabilities at fair value through surplus or deficit. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost. b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. c) Financial guarantee contracts. After initial recognition, an issuer of such a contract shall measure it at the higher of: i) The amount determined in accordance with IPSAS 19; and ii) The amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with IPSAS 19. d) Commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment shall measure it at the higher of: i) The amount determined in accordance with IPSAS 19; and ii) The amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with IPSAS 19. (3) Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements.

Estimation of liabilities	171.	(1) Some liabilities can be measured only by using a substantial degree of estimation. The Accounting Officer is responsible for the estimation of liability values. (2) An estimate may need revision if changes occur in the circumstances upon which the estimate was based. Where the estimate is as a result of changes in circumstances, the revision of an estimate shall not affect prior periods and is not treated as a correction of an error. *Estimation uncertainty* (3) A public sector entity shall disclose information in the notes to the financial statements about the assumptions and/or estimations it makes about future events and the major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of liabilities within the next reporting period. (4) Some liabilities, for example, a provision for outstanding legal claims, can only be measured using a substantial degree of estimation, for example, the likelihood of the claim being successful in the courts and by making assumptions about future events, for example, the likelihood of a settlement being reached between the parties. Should such assumptions and/or estimations prove to be incorrect, then the carrying amount of the liability will be misstated and the liability will either be overstated or understated (5) The risks associated with the misstatement increase significantly the more complex and subjective the assumptions and estimates are. (6) Materiality is a key issue in the application of this disclosure requirement, which has as its focus, liabilities with large carrying amounts and with a huge risk of material misstatement, should the underlying estimates and assumptions prove to be incorrect. (7) Where the public sector entities has substantial liabilities that have been measured on the basis of subjective assumptions and estimates, it shall apply a risk analysis of them. Where there is a high risk of those assumptions and estimates being subject to error or inaccuracy, the entity shall assess the impact on the associated liability if the risk was to materialise and disclose the outcome. (8) Where it is impracticable to disclose the extent of the possible effects of changes to the underlying assumptions and estimates made, the public sector entity shall disclose that fact and also state that outflows within the next reporting period may be different due to variations to the assumptions made and that this could require a material adjustment to the carrying amount to the carrying amount of the liability in future reporting periods.
De-recognition of liabilities	172.	An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, waived, cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Where an obligation is waived by the lender or assumed by a third party as part of a non-exchange transaction, an entity applies IPSAS 23 - Revenue from non-exchange transactions or IFRS 15 – Revenue from contracts with customers.

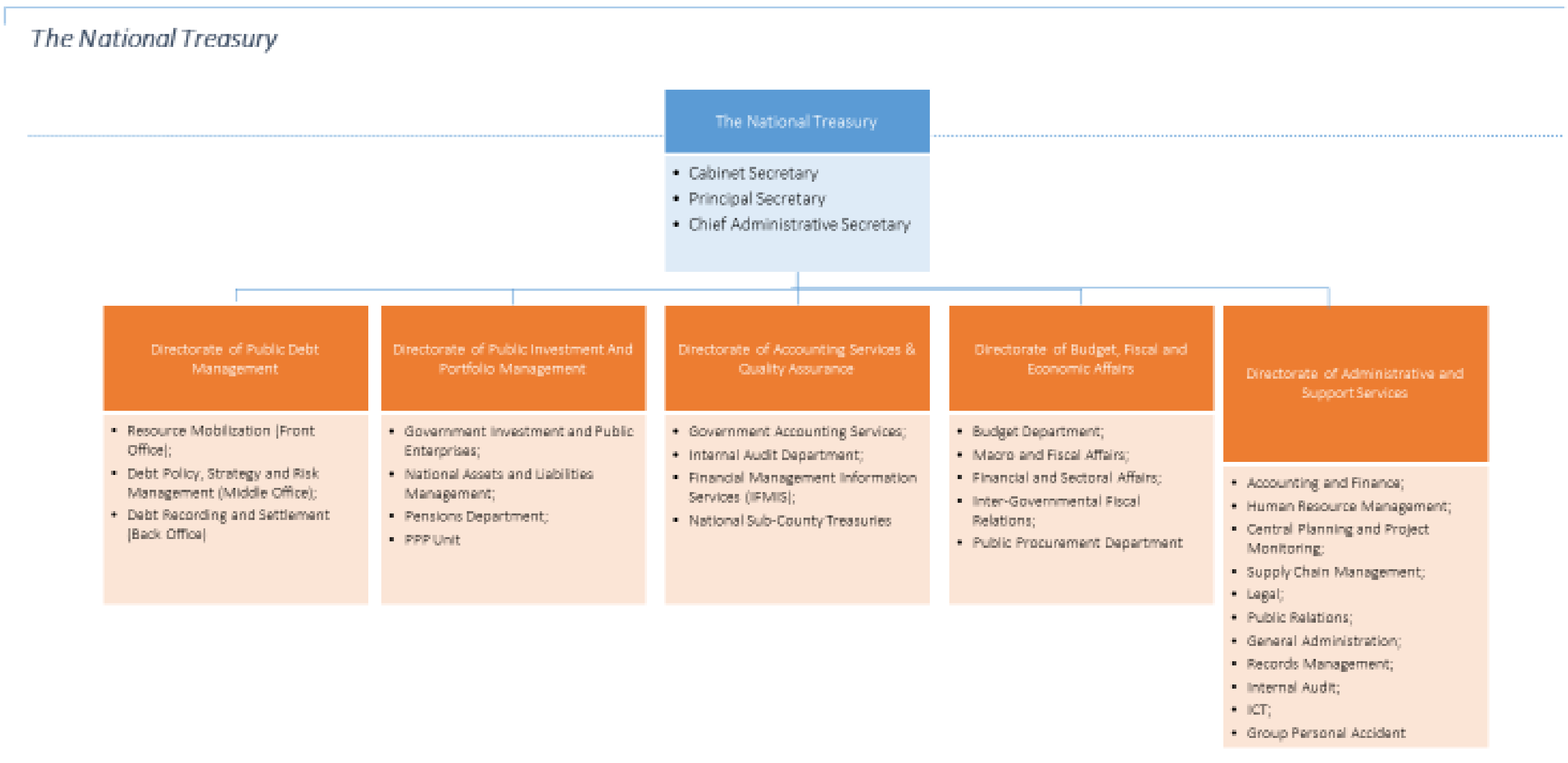
Disclosure	173.	*Classification between current and non-current liabilities* (1) Except where an Accounting Standard requires otherwise, liabilities shall be categorised in the Statement of Financial Position as either current or non-recurrent. A public sector entity is deemed to have an operating cycle of twelve months for the purposes of classifying current and non-current liabilities. (2) The public sector entity shall classify a liability as current when the liability is due to be settled within twelve months after the end of the financial year. (3) The entity shall classify all other liabilities as non-current. *Disclosures to be made* (4) Liabilities shall be disclosed according to their nature, for example: a) Loans payable; b) Accounts payable; c) Accruals and provisions; d) Employee entitlements; or e) Other liabilities. (5) The public sector entity shall present separately each material class of liabilities. (6) The line item for 'other liabilities' shall not exceed ten percent of the value of total liabilities. (7) Where a liability is based on a fixed and predetermined amount, that liability shall be disclosed at cost. Where a liability is based on an estimate, the liability shall be at fair value. IPSAS 29 Financial Instruments: Recognition and Measurement details the initial and subsequent measurement requirements for financial liabilities. (8) Liabilities shall not be offset against assets unless required or permitted by an Accounting Standard.
		PART VI - RE-ORGANISATION OF GOVERNMENT FUNCTIONS
Introduction	174.	In accordance with Regulations 57(1) of the PFM (National government) Regulations, 2015, and Regulations 56(1) of the PFM (County governments) Regulations, 2015, the government may make policy changes in a financial year leading to: a) creation of an additional Ministry or State Department and additional government entities; b) transferring certain functions or services of an existing Ministry, State Department and agencies to — (i) another existing Ministry, State Department; or Agency (ii) a new Ministry or State Department or Agency; c) abolition of an existing Ministry or State Department or Agency and transferring its functions or services to one or more Ministry or State Department or Agency.
Transfer of Assets and Liabilities	175.	(1) The Accounting Officers responsibilities upon transfer of assets and liabilities are defined under Regulations section 141 of the PFM (National government) Regulations, 2015 and Regulations 134 of the PFM (County governments) Regulations, 2015. (2) Based on the above sections, the Accounting Officer of the transferring entity shall identify an inventory of assets and liabilities transferred and such inventory shall be signed by both the Accounting Officer of the transferring entity as well the Accounting Officer of the receiving entity. (3) The Accounting Officer of the receiving entity shall file a copy of the inventory signed with the National Treasury and the Auditor General within two weeks of the transfer.
Involvement of the National Treasury in transfer of assets and liabilities	176.	(1) The accounting officer must notify the National Treasury before any transfer of assets and liabilities is commenced. (2) The Accounting Officer of the receiving entity must file a copy of the inventory signed to the National Treasury.

		PART VII - ASSETS AND LIABILITIES MANAGEMENT INFORMATION SYSTEMS
Introduction	177.	(1) Public sector entities shall fully integrate the assets and liabilities records into their financial management information system so as to obtain relevant and reliable information for review and decision making. This should ensure that any assets and liabilities transactions are updated on a real-time basis and that data integrity is maintained between the asset registers, liability registers and other records. (2) The degree of sophistication for an entity's asset-related financial management information system shall be dependent on the volume and complexity of transactions. The system shall also meet management information needs as well as ensure compliance with these guidelines.
Use of electronic systems for assets and liabilities management	178.	Regulations 109 and 110 of the PFM (National government) Regulations, 2015 and Regulations 109 and 110 of the PFM (County governments) Regulations, 2015 outline guidelines on use of electronic systems for financial operations. The sections provide guidelines on access controls as well as the responsibility of the users of such systems.
		PART VIII - MONITORING, EVALUATION AND REPORTING
Overview	179.	This part covers the following: a) Monitoring b) Evaluation c) Reporting obligations
Monitoring	180.	(1) The Accounting Officer of every public sector entity is responsible for monitoring assets and liabilities management at the entity level in accordance with these guidelines. (2) The Accounting Officer shall also ensure harmonization of entity assets and liabilities management guidelines with these guidelines. (3) National Treasury is responsible for oversight the implementation of these guidelines and for ensuring that its provisions are adhered to and applied consistently across all public sector entities. Compliance and monitoring will be assessed through quarterly reviews of reports submitted by public sector entities, field verification visits, optimal utilization tools used by entities, review of risk registers prepared by entities and regular analytics of information provided. (4) The National Treasury in collaboration with PSASB shall assess the information included in financial statements for completeness and consistency with information provided for the purposes of this guidelines. (5) The Internal Audit department will provide assurance on compliance of public sector entities with these guidelines and raise any concerns on assets and liabilities management.
Evaluation	181.	The National Treasury will evaluate the implementation plan of these guidelines and guide public entities as necessary.
Reporting obligations of public sector entities to National Treasury	182.	(1) The accounting officer shall ensure that quarterly and annual assets and liabilities reports, including assets and liabilities registers, risk registers and optimal utilization reports, are submitted to the National Treasury in the prescribed formats. (2) The Accounting officer for a state agency is responsible for aligning their assets and liabilities with these Guidelines and submitting copies of entity harmonized policies and guidelines to National Treasury for review. All other entities are required to adopt this guideline in its entirety.

Reporting obligations of National Treasury and County Treasury	183.	(1) National Treasury shall prepare an annual assets and liabilities status report for the national government and report to the Parliament of Kenya. (2) County Treasuries shall prepare an annual assets and liabilities status report for the county government and report to the County assembly.
		PART IX – TRANSITIONAL PROVISIONS
		NON-FINANCIAL ASSETS
Identification and recording of non- financial assets	184.	(1) A public sector entity shall identify all non-financial assets under their ownership and those held under finance leases. (2) The Accounting Officer shall prepare registers of all non-financial assets using the formats included as appendices to these guidelines. (3) Where an asset does not have ownership documents due to various reasons, the Accounting Officer shall gazette the said assets. In the absence of objection form any party, the gazette notice shall serve as the document of ownership document.
Valuation	185.	(1) Where information on the cost price of assets is available, this should be utilised. Where cost information is not available a value of Kshs 1.00 should be applied for the initial recognition. This will ensure that the asset is captured on the register, which will then represent a complete list of assets on hand, for management purposes. (2) National Treasury, in conjunction with other stakeholders, shall provide policy direction on standard values which would then be applied to these older assets listed at Kshs 1. 00. (4) Where an entity that has been using cash basis of accounting and has carried out valuations of its assets in the last say 3 years, it could adopt those valuations for purposes of maintaining its asset registers. (5) Revaluations of assets shall only be carried out with the approval of the National Treasury and shall be conducted by the Government valuer.
Accounting for non-financial assets	186.	(1) A public sector entity that adopts accrual accounting for the first time in accordance with International Accounting Standards shall initially recognize non-financial assets at cost or fair value. For assets that were acquired at no cost, or for a nominal cost, cost shall be taken to the asset's fair value as at the date of acquisition. (2) The public sector entity shall recognise the effect of the initial recognition of non-financial assets as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which accrual accounting is first adopted in accordance with IPSAS or IAS. (3) For entities that have already adopted accrual accounting, the Accounting Officer shall review the capitalization thresholds, useful lives/ depreciation rates as well as depreciation methods used and ensure alignment with these guidelines. Any variations shall be treated as changes in accounting estimates in the financial records and, treated in accordance with IAS 8 and IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors.
		FINANCIAL ASSETS AND LIABILITIES

Opening balances	187.	(1) Determination of opening balances of financial assets and liabilities involves a thorough examination of all records available. Each public sector entity needs to: a) compile an aggregate list of all records for financial assets and liabilities; b) check that the amounts recorded are correct; c) check that the items are legally enforceable; d) Ensure that the recorded amounts are complete to include all financial assets and liabilities; e) assess the likelihood of recovering receivables – check that contact details for individuals or entities are correct and assess whether the individuals or entity has the ability to pay the amount owed; f) where a write-off, write-down or waiver of financial assets and liabilities is proposed, the Accounting Officer needs to carry out any procedures required before such action, document the recommended action, record details of any approval obtained and update the financial records. (2) The entire process needs to be thoroughly documented to enable opening balances to be established and to provide an audit trail.
Accounting for assets and liabilities	188.	(1) A public sector entity that adopts accrual accounting for the first time in accordance with International Accounting Standards shall initially recognize financial assets at cost or fair value. (2) The public sector entity shall recognise the effect of the initial recognition of buildings as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which accrual accounting is first adopted in accordance with IPSAS or IAS. (3) For entities that have already adopted accrual accounting, the Accounting Officer shall review the accounting treatment adopted and ensure alignment with these Guidelines. Any variations shall be treated as changes in accounting estimates in the financial records and, treated in accordance with IAS 8 and IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors.
		OTHER ASSETS AND LIABILITIES
Contingent assets and liabilities	189.	(1) Determination of contingent liabilities involves a thorough examination of all possible claims against the public entity that are likely to crystallise as a result of the happening of a future event. The entity needs to: a) compile a list of all ongoing litigation and insurance claims against the entity; b) identify any guarantees, letters of comfort and indemnities made on behalf of other parties; c) Review all contracts with third parties for any contingent assets and/or liabilities; and d) Quantify the claims due from each of the identified events. (2) Contingent assets shall only be identified where the probability of their realization is so high that there is little doubt as to the existence of an asset. (3) Contingent assets and liabilities are to be disclosed as a note to the financial statements.
Capital commitments	190.	(1) Determination of capital commitments involves a thorough examination of all contracts and agreements to identify and future commitments of the entity. The Accounting Officer needs to compile a list of all future commitments of the entity and quantify the amounts payable under each contract. (2) Capital commitments are to be disclosed as a note to the financial statements.

Appendix 1: Structure of the National Treasury



Appendix 2: Categories of assets and liabilities

The categories of assets and liabilities for which these guidelines apply are listed below:

	Non- financial assets	Financial assets	Liabilities
1	Land	Investments	Loans payable/ borrowings
2	Building and building improvements	Loans receivable	Long term employee benefits
3	Investment property	Accounts receivable	Accounts payable
4	Intangible assets	Other receivables	Accruals
5	Heritage assets	Cash and cash equivalents	Provisions
6	Inventories	Contingent assets	Contingent liabilities
7	Road infrastructure		Other liabilities
8	Railway infrastructure		
9	Other infrastructure		
10	Motor vehicles and other transport assets		
11	Computers and other ICT equipment		
12	Furniture, fittings and equipment		
13	Plant & Machinery		
14	Biological assets		
15	Subsoil assets		

The guidelines for specific categories of assets and liabilities are attached as an appendix to these Guidelines.

Appendix 3: International accounting standards for assets and liabilities

The PSASB Kenya has adopted the following standards guiding the accounting for assets:

Asset class	**IPSAS**	**IFRS/ IAS**
Non-financial assets		
Property, Plant and equipment Land Buildings and building improvements Heritage assets Road infrastructure assets Railway infrastructure assets Other infrastructure Motor vehicles and other transport assets Computers and other ICT equipment Furniture, fittings and equipment Plant and Machinery	17	IAS 16
Intangible assets	31	IAS 38
Investment property	16	IAS 40
Impairment of long-term assets	21 – Impairment of non-cash generating assets 26 – Impairment of cash generating assets	IAS 36 – Impairment of cash generating assets
Leases	13	IFRS 16
Biological assets	27	IAS 41
Subsoil assets	None	IFRS 6
Inventories	12	IAS 2
Financial assets including cash and cash equivalents, receivables and investments: - Financial instruments	28,29,30	IFRS 9

PSASB Kenya has adopted the following standards guiding the accounting for liabilities:

Liability class	IPSAS	IAS/ IFRS
Loans payable/ borrowings	None	IAS 23, IAS 24/ IFRS 9 & 7, IAS 20
Long term employee benefits	IPSAS 25, 27	IAS 19 & IFRS 2
Deferred revenue	IPSAS 9 & 23	IFRS 15
Contingencies and provisions	IPSAS 19	IAS 37
Accounts payable, accruals and other liabilities	IPSAS 28, 29 & 30	IFRS 9 & 7
Deferred tax liabilities	None	IAS 12
Leases	IPSAS 13	IFRS 16

Appendix 4: Schedule of Useful Lives and Depreciation

The proposed useful lives and depreciation rates for various classes of non-financial assets are as follows:

	Asset Class	Estimated useful life (years)	Depreciation rate (%)
1.	Land	N/A	N/A
2.	**Building and building improvements**		
	Buildings – Permanent	50	2
	Buildings – Semi permanent	20	5
	Buildings - Temporary	10	10
3.	**Road infrastructure assets**		
	Roads		
	Seal Coat	5	20
	Gravel Surface	5	20
	Asphalt Surface	10	10
	Concrete Surface	30-40	2.5 – 3.3
	Traffic Signals	15	6.67
	Bridges		
	Timber Bridge	10	10
	Timber Redecking	12	8.33
	Metal Structure Bridge	30	3.33
	Concrete Bridge	50	2
	Concrete Redecking	25	4
	Movable Bridge	50	2
4.	Railway infrastructure	50	2
5.	**Other Infrastructure**		
	Electricity generation & supply infrastructure		
	Power station permanent building structures	50	2
	Plants and Power turbines	20	5

	Asset Class	Estimated useful life (years)	Depreciation rate (%)
	Distribution and transmission lines	10	10
	Flood mitigation and drainage infrastructure		
	Permanent building structures	50	2
	Overland flow paths	5	20
	Underground drainage	10	10
	Water infrastructure		
	Water collection points/ Permanent building structures	50	2
	Water purification facilities and machines	10	10
	Water storage facilities	10	10
	Pipe network	5	20
	Underground drainage	10	10
	Solid waste and sewerage disposal infrastructure		
	Permanent building structures	50	2
	Waste sorting and treatment facilities	10	10
	Pipe network	5	20
	Aerodromes and Airstrips		
	Permanent building structures	50	2
	Aerodromes 10%	10	10
	Sea Walls and Jetties		
	Permanent building structures	50	2
	Sea Walls and Jetties	20	5
	Other Infrastructure and Civil Works		
	Permanent building structures	50	2
	Others	5 – 20 as necessary	5-20 as necessary

	Asset Class	Estimated useful life (years)	Depreciation rate (%)
6.	**Motor Vehicles and Other Transport Equipment** Saloon vehicles and pick-ups Heavy duty utility vehicles Lorries and diesel propelled vehicles above 4500cc	 6 8 10	 16.67 12.5 10
7.	Computer and other ICT Equipment	3.33	30
8.	Plant and machinery	Based on purpose of machinery	Based on purpose of machinery
9.	Furniture, Fittings & Equipment	8	12.5
10.	Heritage assets	N/A	N/A
11.	Biological assets	N/A	N/A
12.	Sub soil assets	Based on nature of assets e.g. buildings, equipment etc.	Based on nature of assets e.g. buildings, equipment etc.
13.	Work in Progress	N/A	N/A
14.	Investment property	For land and buildings, as applicable	For land and buildings, as applicable
15.	Leased Assets (finance lease)	Period of lease	As applicable
16.	**Intangible assets** Software Easements/ Right of way Quotas, licences, rights e.g. water, logging and minerals, airport landing etc. Patents* Copyrights**	 5 - 8 Number of years defined in contract Number of years rights held based on the contract agreement 7 - 10 In accordance with section 23 of the Copyright Act of	 12.5 – 20 As applicable As applicable 10 – 14.3 As applicable

	Asset Class	Estimated useful life (years)	Depreciation rate (%)
		2001 (Revised 2017)** - see below	
	Industrial design*	5 - 15	6.67 – 20
	Utility models*	5 – 12	8.33 - 20

* The useful lives have been derived from the provisions of the Industrial Property Act No. 3 of 2001, Revised 2016
** Useful lives have been defined from the Copyright Act of 2001 (Revised 2017 as below:

Type of Work	*Date of Expiration of Copyright*
1. Literary, musical or artistic work other than photographs	Fifty years after the end of the year in which the author dies.
2. Audio-visual works and photographs	Fifty years from the end of the year in which the work was either made, first made available to the public, or first published, whichever date is the latest.
3. Sound recordings	Fifty years after the end of the year in which the recording was made.
4. Broadcasts	Fifty years after the end of the year in which the broadcast took place.

Appendix 5: Asset Categories and Capitalisation Thresholds

	Asset Class	Capitalisation threshold
1.	Land	Kshs 1 (All land)
2.	Buildings and building improvements	Kshs 1 (All buildings)
3.	Road infrastructure	Kshs 1 (All road infrastructure)
4.	Railway infrastructure	Kshs 1 (All railway infrastructure)
5.	Other Infrastructure	Kshs 1 (All other infrastructure)
6.	Motor vehicles and other transport Equipment	Kshs 1 (All transport equipment)
7.	Computers and other ICT equipment	Kshs 50,000
8.	Furniture, fittings & equipment	Kshs 50,000
9.	Investment property	Kshs 1 (All investment [property)
10.	Leased Assets (finance lease)	Threshold of class to which asset would belong if not subject to finance lease
11.	Heritage assets	Kshs 1 (All heritage and cultural assets)
12.	Work in Progress	N/A
13.	**Intangible assets** Software Purchased • Easements and rights • Intellectual Property • Other Intangibles	Kshs 100,000 Period in agreement
14.	Biological assets	Kshs 200,000
15.	Subsoil assets	Threshold of class to which asset belongs
16.	Plant and Machinery	Kshs 1 (All plant and machinery)

Appendix 6: Asset registers

a. Standard assets register

For ICT equipment, Furniture, fittings & Equipment, plant & machinery, portable and attractive items

	Asset Description	**Financed by/ source of funds**	**Serial number**	**Tag number**	**Make & Model**	**Date of Delivery / installation**	**Payment Voucher number**	**Original Location**	**Current Location**	**Replacement Date (if applicable)**	**Acquisition cost Kshs**	**Depreciation rate**	**Annual depreciation Kshs**	**Accumulated depreciation Kshs**	**Net Book Value**	**Date of disposal**	**Disposal value**	**Responsible officer**	**Asset condition**	**Notes**
1	*e.g. Laptop*	*USAID*	*H289Y*	*0002695*	*HP*	*1 Jan 2018*	*09986*	*Reception*	*Reception*	*Jan 2021*	*76,900*	*30%*	*23,070*	*46,140*	*30,760*	*N/A*	*N/A*	*ABC*	*Good*	
2	*e.g. Motor vehicle GK A002N*	*GoK*	*P00300T*	*MV/097*	*Pasaat*	*June 2018*	*12783*	*HQs*	*HQs*	*N/A*	*5,470,000*	*25%*	*1,367,500*	*4,102,500*	*1,367,500*	*June 2020*	*2,000,000*	*CDE*	*Working*	*Disposal due to high maintenance costs*
3																				
4																				
5																				

Prepared by: ________________ Designation: _________________ Date: ___________________

Checked by: _________________ Designation: _________________ Date: ___________________

Authorized by: ________________ Designation: _________________ Date: ___________________

b. Land register

Description of land	Category (Land or investment property)	County	Nearest town/ Location	GPS*	Polygon A	Polygon B	Polygon C	Polygon D	L.R/ certificate No. Or other unique identifier	Document of ownership held (Title deed, certificate, etc.)	Proprietorship/ ownership details as per document of title	Size (ha)	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	Disposal date/ Change of use date	Disposal value	Annual rental income (for investment property)	Remarks
e.g. Kitale Farm	*Land*	*Uasin Gishu*	*Kitale*	*41° 24'12.2" N 2°10'26.5" E*	41° 22'12.2" N 2°10'21.5"E	41° 22'12.2" N 2°10'24.5" E	41° 19'12.2" N 2°10'21.5" E	41° 19'12.2" N 2°10'24.5" E	*Kitale/Kitale/76532*	*Title Deed*	*ABC Corporation*	*10*	*Freehold*	*10 Feb 2001*	*10 Feb 2001*	*Undisputed*	*None*	*Planned*	*Demonstration farms*	*Surveyed*	*179,092,267*	*200,000,000*	*N/A*	*N/A*	*N/A*	*In use*
e.g. Upper Hill plot	*Investment property*	*Nairobi*	*CBD*	41.40338, 2.17403	41.40138, 2.14403	41.40138, 2.17403	41.43338, 2.14403	41.40338, 2.17403	*NBI/NBI/289076*	*Certificate of title*	*ABC Corporation*	*0.4*	*Leasehold*	*8 March 2017*	*8 March 2017*	*Undisputed*	*None*	*Planned*	*Construction of rental property*	*Not surveyed*	*786,201,728*	*700,000,000*	*N/A*	*N/A*	*N/A*	*Awaiting funds availability*

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c. Buildings register

	Description/ Name of building	Building ownership	Category (Building or investment property)	Building No.	Institution No.	Nearest town/ Location	Street	County	L.R No.	Size of land (ha)	Ownership status (Freehold/ leasehold)	Building construction date/ lease start date	Type of building (Permanent/ temporary)	Designated use	Estimated useful life (years)/ period of lease	No. of floors	Plinth Area (Sq. Feet)	Cost of construction/ Valuation	Annual depreciation	Accumulated depreciation to date	Net Book value	Annual rental income (for investment property)	Remarks
1	*e.g. Kenya Building*	*Entity - owned*	*Building*	*NBI/231*	*234*	*Upper Hill*	*Upper Hill Road*	*Nairobi*	*NBI/NBI/98767*	*0.6*	*Freehold*	*30 April 2000*	*Permanent*	*Offices*	*50*	*6*	*3,675*	*75,432,720*	*1,508,654*	*28,664,434*	*46,768,286*	*N/A*	
2	*e.g. XYZ Plaza*	*Finance leased*	*Building*	*KITUI/12*	*234*	*Kitui*	*Kitui Road*	*Kitui*	*Kitui/Kitui/67289*	*0.8*	*Leasehold*	*November 2015*	*Permanent*	*Offices*	*12*	*2*	*1,200*	*12,983,350*	*1,081,946*	*4,327,783*	*8,655,567*	*N/A*	*No encumbrances on title*
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d. Intangible assets register

	Asset description/ Nature of asset	Document of ownership	Acquired from/ Developed by	Date of acquisition/ commissioning	Cost/ Fair value	Usefu l life	Annual amortisation	Accumulated armotisation	Net Book value	Remarks
1	*e.g. Computer software*	*Contract agreement*	*Eagle software engineers Ltd*	*2 July 2018*	*128,367,23 4*	*10*	*12,836,723*	*25,673,446*	*102,693,78 8*	*Software due for upgrading in 2020*
2	*e.g. Intellectual Property*	*Patent on design of product X*	*Intellectual property office*	*16 June 2019*	*489,238*	*5*	*97,847*	*97,847*	*391,391*	
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e. Heritage assets Register

	Description of the nature of asset	Document of ownership	L.R No (For land)	Size of land (where applicable)	Purpose for which held/ significance	Location	Source (where applicable)	Cost/ Fair value	Reason why value cannot be reliably estimated	Annual costs of maintenance / preservation	Remarks
1	*e.g. Nature Park*	*Certificate of title*	*Lamu/Lamu/894563*	*2.8 ha*	*Tourist attraction*	*Off Lamu Malindi Road*	*N/A*	*64,387,250*	*N/A*	*657,000*	
2	*e.g. Portrait of Imam YXZ*	*None*	*N/A*	*N/A*	*Historical preservation*	*Kenya National Archives*	*Lamu Island*	*N/A*	*No prevailing market value*	*1 50,000*	*Preservation funds not provided during the last two financial years*
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f. Inventory Register

Note: This register should only include goods which came into existence in the current period or in an earlier period, and that are held for sale, use in production, or other use at a later date. Inventories are classified as:

a) *Goods to be consumed directly or indirectly in production (raw materials and supplies);*

b) *Goods in the course of production (work in progress); and*

c) *Goods held for sale in the ordinary course of business (finished goods).*

The register should also include consumable stores such as stationery, tyres, uniforms etc.

	Description of inventory item	Unit e.g piece, Kgs, etc.	Quantity	Unit cost	Total Cost	Responsible officer	Remarks
1	*e.g. Large Box files*	*Pcs*	*234*	*150*	*35,100*	*ABC*	
2	*e.g. Nails – 2"*	*Kgs*	*167*	*140*	*23,380*	*BCD*	*For construction of office furniture*
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g. 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 placing the investment	Remarks
1	*e.g Treasury Bills*	*CBK*	*Certificate*	*GoK*	*21 May 2018*	*21 May 2019*	*365 days*	*10%*	*N/A*	*N/A*	*300,000*	*30,000*	*330,000*	*XYX*	
2	*e.g. Shares*	*ABC State Corporation*	*N/A*	*GoK*	*17 Feb 2019*	*N/A*	*N/A*	*N/A*	*10,589*	*150*	*1,588,350*	*N/A*	*N/A*	*ABC*	*15% shareholding*
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h. Cash and Bank register

	Account name	Account Number	Currency	Type of Account	Name of Bank	Source of Funds	Purpose of cash held	Bank signatories	Balance Kshs
1	*e.g. ABC Corporation*	*01100768*	*Kshs*	*Current*	*KCB Bank Account 1*	*GoK*	*Revenue expenditure*	*XYZ – Head of Accounting* *TRH – Head of Finance* *BRY - CEO*	*15,567,843*
2	*e.g. ABC Corporation*	*02100567*	*USD*	*Current*	*Equity Bank 1*	*IFAD*	*XYZ Project*	*XYZ – Head of Accounting* *GHT – Head of Programmes* *BRY - CEO*	*84,532,105*
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i. Roads infrastructure register

	Road description	Road ID	County	Date of commissioning	Length (Kms)	Type of road	Amenities available	Land registry ID	Useful life (years)	Cost	Annual depreciation	Accumulated depreciation	Net Book value	Remarks
1	*e.g Kitale – Eldoret Road*	*A109*	*Uasin Gishu*	*26 August 2019*	*89*	*Seal coat*	*Traffic signals*	*1/ 23903*	*5*	*78,546,903, 201*	*1,570,9380, 640*	*1,570,9380, 640*	*62,837,522, 561*	*Annual maintenance scheduled in August*
2	e.g. Mbooni – Kitui road	C234	Kitui	20 March 2000	72	Concrete	None	1/267	40	628,901,675	15,722,542	298,728,296	330,173,379	
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j. Railway infrastructure register

	Description	County	Date of commissioning/ purchase	Length (Kms)	Type of Rail	Tag No.	Amenities available	Land registry ID	Useful life (years)	Cost	Annual depreciation	Accumulated depreciation	Net Book value	Remarks
1	*e.g Kahawa West – Nairobi rail section*	*Kiambu*	*26 January 2019*	*30*	*SGR*		*Traffic signals*	*1/ 2378*	*50*	*78,546,903,201*	*1,570,9380,640*	*1,570,9380,640*	*62,837,522,561*	
2	*e.g Rail Wagons*	*N/A*	*11 February 1997*	*N/A*	*N/A*	*12345*	*N/A*	*N/A*	*50*	*628,901,675*	*12,578,034*	*276,716,737*	*352,184,938*	
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k. Biological assets register

	Asset description	Unit of measurement (Pieces, acreage etc)	Quantity	Fair value unit cost Kshs	Total value Kshs	Remarks
1	*Livestock – Dairy Cows*	*No.*	*203*	*102,000*	*20,706,000*	*Open auction for old stock to be carried out in November 2019*
2	*Tea plantation*	*Acreage*	*100 acres*	*150,000*	*15,000,000*	
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l. Work in progress register

	Asset Category	Location of asset	Start Date	Expected date of completion	Contract amount (Kshs)	Percentage of completion to date	Amount spent to date	Commitment in next financial year	Commitment beyond next financial year
1.	*e.g. Buildings*	*Kitale Town*	*2 March 2019*	*31 March 2021*	*15,329,456*	*40%*	*6,987,321*	*4,453,910*	*3,888,225*
2.	*e.g. Computer software*	*Headquarters*	*3 April 2018*	*2 April 2022*	*111,547,102*	*55%*	*70,000,000*	*32,000,000*	*9,547,102*
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m. Assets movement form

	Date of movement	Asset description	Tag No.	Asset category	Make/ Model	Serial No.	Old location	New location	Condition	Movement approved by	Signature of approver
1	*e.g. 2 Sept 2019*	*Diesel generator*	*P&M/GEN/002*	*Plant & Machinery*	*Cummins*	*T1867352P*	*Central building*	*Annexe*	*Excellent*	*Head of Administration*	
2	*e.g. 3 March 2019*	*Board room table*	*FURN/TAB/123*	*Furniture, fittings & Equipment*	*N/A*	*N/A*	*2nd floor – Main building*	*6th Floor - Main building*	*Good*	*Head of Administration*	
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n. Revaluation Schedule

	Asset Class	Last Revaluation	Previous revaluation Kshs	Current valuation Kshs	Revaluation Surplus/ (deficit) Kshs	Revaluation interval (years)	Next Revaluation
1	*e.g. Land – L.R No/ Nairobi Block 2/5506*	*2016*	*367,989,292*	*457,398,290*	89,408,998	*5*	*2021*
2	*e.g Land – L.R No/ Thindigua/5507*	*2015*	*890,982*	*679,278*	(211,704)	*5*	*2020*
3	*e.g. Buildings – Treasury Building on L.R No. 2951/600*	*2018*	*2,890,679,234*	2,156,789,904	(733,889,330)	*5*	*2023*
4	e.g Machakos county headquarters on L.R No. 2783/7821	2019	167,290,345	145,367,890	(21,922,455)	5	2024
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o. 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	*e.g. Dell laptop Tag No. ICT/COMP/356*	*Laptop lost on 2/3/2019 by ABR while travelling from Kisumu to Nairobi*	*Theft*	*Insurance claim filed with insurer*	*Computers & ICT equipment, code 20010001*	*BRRTY - ICT Manager*	*Head of accounting*
2	*e.g. Generator Tag No. EQP/GEN/12*	*Generator damaged on 3 April 2019 due to power surge*	*Damage*	*Dealer contacted for advice*	*Furniture, fittings & Equipment, code 20020002*	*RRWWA – Administration Manager*	*Head of Administration*
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p. Lease Register – Assets

	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	*e.g. Building – BLD/OFF/ 02*	*6 years*	*Monthly repayments, zero residual value*	*37,912,000*	*Operating*	*EDCT Enterprises, P.O Box Nbi.*	*NBTRY – Head of Office Accommodation*	*15%*	*Head of Finance & Administration*	*No encumbrance on title to land*
2	*e.g. Laptop – ICT/COMP/9876*	*3 years*	*Quarterly repayments, zero residual value*	*60,000*	*Finance*	*ABC Computers Ltd*	*Head of ICT*	*18%*	*Head of Finance & Administration*	*Laptops to revert to lessor at end of lease*
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q. 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	*e.g Imprest receivable*	*ABCD*	*P1234*	*Programmes*	*Head of programmes*	*Kshs*	*230,000*	*26/10/2019*	*15*	*Reminder sent*
2	*e.g Sale of office furniture*	*Recycle investments*	*N/A*	*Finance & Administration*	*Chief Accountant*	*Kshs*	*563,927*	*31/12/2019*	*60*	*Not due for collection*
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r. Accounts receivables register

	Name of Customer	Items supplied/ Service rendered	Department responsible	Responsible officer	Currency	Amount receivable Kshs	Due date of Receipt	Number of days outstanding	Remarks
1	*e.g. ABC Investments Limited*	*Licensing fees*	*Licensing*	*Head of Licensing*	*Kshs*	*567,900*	*30 Sept 2019*	*30*	*Receivable*
2	*e.g. XYZ Suppliers*	*Rental for JKL Building 5th Floor*	*Finance and procurement*	*Head of Finance and Administration*	*Kshs*	*123, 000*	*28 February 2019*	*Over 150 days*	*Doubtful debt*
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s. 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	Reasons for advancing the 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
1	*e.g ABC Corporation*	*CEO's office – Loans advanced file*	*17/5/2016*	*17/5/2023*	*7*	*Settlement of syndicate loan*	*Subsidiary company*	*14*	*Kshs*	*1*	*4,200,000*	*4,200,000*	*4,200,000*	*672,000*	-	*4,872,000*	1,082,667	3,789,333.33
2	*e.g. BCD National*	*CEO's office – Loans advanced file*	*18/9/2014*	*18/9/2020*	*6*	*Emergency operations*	*Subsidiary company*	*1*	*Kshs*	*1*	*25,050,200*	*25,050,200*	*25,050,200*	*21,042,168*	100,000	*46,192,368*	10,242,748	35,949,619.56
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Appendix 7: Liabilities registers

a. Loans payable register

	Source of debt	Location of the loan agreement or other supporting documentation, for example, the file	Effective date of borrowing	Maturity date	Loan duration	Purpose of loan	Perceived benefits of the loan	Interest rate (%)	Currency of borrowing	Conversion Rate	Amount borrowed in original currency	Amount borrowed in Kshs	Amounts received to date Kshs	Interest payable Kshs	Other charges Kshs	Total payable Kshs	Amount Repaid Kshs	Amount Outstanding Kshs
1	*E.g. Kenya Commercial Bank*	*Loans file – Accounting Officer*	*12-Feb-18*	*12-Feb-21*	*3*	*Construction of office building*	*Savings on rental costs*	*15*	*Kshs*	*1*	*15,000,000*	*15,000,000*	*10,714,286*	*4,821,429*	*200,000*	*15,735,714*	*3,452,381*	*12,083,533.33*
2	*e.g. World Bank*	*National Treasury*	*10-Mar-08*	*10-Mar-23*	*15*	*Production infrastructure development*	*Efficiency in production*	*8*	*USD*	*102*	*1,000,000*	*102,000,000*	*72,857,143*	*87,428,571*	*-*	*160,285,714*	*35,619,048*	*124,666,666.67*
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b. 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	*e.g. Kimakia Ltd*	*Assorted stationery*	*County Treasury*	*ABC*	*Kshs*	*GoK - recurrent*	*92,876.00*	*31/3/2016*	*30*	*To be paid in next 15 days*
2	*e.g. One on One enterprises*	*Office tea supplies*	*Health*	*BCD*	*Kshs*	*Danida HSS project*	*45,932.00*	*1/5/2016*	*60*	
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c. Pensions payable register

	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 per year	Ex-gratia payments	Total payment due	Lump sum payment made	Amount outstanding	Monthly pension payable to officer
1	*e.g P123*	*Alphabet*	*Secretary/ CSG 4*	*Procurement*	*1962*	*1/1/1986*	*30/6/1986*	*Y*	*396*	*480*	*1,320,000*	*1,089,000*	*200,000*	*1,289,000*	*472,250*	*816,750*	*3,400*
2	*e.g. P234*	*Numeral*	*Driver/ CSG 13*	*Administration*	*1974*	*1/2/1998*	*31/7/1998*	*Y*	*120*	*480*	*720,000*	*180,000*	*0*	*180,000*	*0*	*180,000*	*15,000*
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d. Accruals /Other Liabilities Register

	Nature of liability	Payable to	Department	Activity funded	Responsible officer	Currency	Source of funding	Amount payable Kshs	Due date of payment	Number of days outstanding	Remarks
1	*e.g. Electricity charges*	*KPLC*	*Accounting*	*Dec 2018 electricity bill*	*ABC*	*Kshs*	*Donor Y*	*567,264*	*30 June 2019*	*15*	*To be processed in next payment period*
2	*e.g. Deferred revenue*	*Donor Z*	*Programmes*	*Dam construction*	*BCD*	*USD*	*Donor K*	*2,634,098*	*N/A*	*N/A*	*Carried forward to next accounting period*
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e. Guarantees and indemnities register

	Nature of the document (guarantee or indemnity or both)	Entity guaranteed	Initial amount involved	Extent of the guarantee or indemnity, i.e. extent of liability	Date of guarantee/ Indemnity	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	*e.g. Guarantee*	*XYZ Corporation*	*USD 239,467*	*Full guarantee*	*3 September 2010*	*3 September 2023*	*13 years*	*USD 78,983*
2	*e.g. Indemnity*	*JKL Corporation*	*Kshs 29,365,721*	*Kshs 16,573,931*	*24 May 2017*	*24 May 2021*	*4 years*	*Kshs 12,573,765*
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f. Leases Register – Liabilities

	Description of the leased Liability	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	*e.g. Building – BLD/OFF/ 02*	*6 years*	*Monthly repayments, zero residual value*	*37,912,000*	*Operating*	*EDCT Enterprises, P.O Box Nbi.*	*NBTRY – Head of Office Accommodation*	*15%*	*Head of Finance & Administration*	*No encumbrance on title to land*
2	*e.g. Laptop – ICT/COMP/9876*	*3 years*	*Quarterly repayments, zero residual value*	*60,000*	*Finance*	*ABC Computers Ltd*	*Head of ICT*	*18%*	*Head of Finance & Administration*	*Laptops to revert to lessor at end of lease*
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g. Contingent liabilities register

	Nature of contingent liability	Payable to	Amount	Expected date of payment	Remarks
1	*e.g. Disputed final dues*	*ABCD – Former employee*	*567,298*	*July 2020*	*Highly probable*
2	*e.g. PAYE assessment - 2017*	*Kenya Revenue Authority*	*2,003,450*	*September 2020*	*Negotiations ongoing*
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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 officers(s)/ agent(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	*e.g. LGL/2018/123*	*Kenya Insurance company – Ref 234*	*ABY*	*AXR Advocates*	*Accident claim - former employee*	*Legal Unit*	*13 Feb 2018*	*13 April 2018*	*1 April 2018*	*ABC*	*Court summons attended*	*2,946,734*	*175,429*	*None*	*Awaiting court hearings*	
2	*e.g. LGL/ 2014/67*	*N/A*	*CBD Ltd*	*BSG Advocates*	*Disputed plot in Eldoret*	*Legal Unit*	*21 Feb 2014*	*26 Feb 2014*	*15 Feb 2014*	*BCD*	*Hearings attended*	*6,732,176*	*578,782*	*Based on precedence, entity likely to win*	*Pending court decision*	*Court decision scheduled for 29 Sept 2019*
3																
4																
5																

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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	*BCD Corporation*	*Kenya Towers, Nairobi P.O Box 123 Nairobi*	*Generator*	*EQP/GEN/1983*	*10 January 2019*	*BXC*	*15 January 2019*	*Returned in good condition*
2	*CDE Corporation*	*Machakos Tel: 4448976*	*LCD Projector*	*4189*	*23 August 2019*	*CDX*	*26 August 2019*	*Project damaged – ICT department to advise by 28 August*
3								
4								
5								

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Appendix 10: Asset transfer form Between units/ departments

	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			*e.g. Projector*	*ICT/COMM/12345*	*Communications department – 2nd floor*	*Good*	*ICT department – 3rd floor*	*Good*	*IT equipment transfer to ICT*	*NBN*	*XZY*
2	*e.g. Table for board room*	*372892*			*Administration department*	*Good*	*Programmes department - Annex*	*Good*	*New table purchased for Main building*	*BOK*	*DMO*
3											
4											

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Appendix 11: Asset handover form

Name of staff: **e.g** *STRYTY* ____________________						
Designation of staff: _____*e.g. Finance Officer*____________________						
Unit/ Department: ______*Finance*____________________						
	Asset Description	**Asset code/ Tag Number**	**Serial Number**	**Location**	**Comments on the condition of the asset**	
1	*e.g. Desktop computer*	*ICT/COMP/42*	*N127895P*	*Main Finance Office*	*Good*	
2	*e.g Printer*	*28901*	*A67384902Y*	*Main Finance Office*	*Good*	
3						
4						
5						

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Appendix 12: Asset reconciliation report

	Category of assets	Opening balances - cost			Opening balances - Accumulated depreciation			Asset additions			Asset disposals			Annual depreciation charge			Impairments			Revaluations			Net Book value			Remarks
		Asset register	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	**Asset register**	**Accounting records**	**Difference**	
1	*e.g. Land*	*106,906,529*	*106,906,529*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*2,000,000*	-	*2,000,000*	*106,906,529*	*108,906,529*	*2,000,000*	*Accounting records to be updated with revaluation*
2	*e.g. Buildings*	*537,781,090*	*537,781,090*	-	*167,534,900*	*167,534,900*	-	*2,000,000*	*2,000,000*	-	-	-	-	*10,755,622*	*10,755,622*	-	-	-	-	-	-	-	*359,490,568*	*359,490,568*	-	*Records reconciled*

Prepared by: ________________ Designation: _________________ Date: __________________

Checked by: _________________ Designation: _________________ Date: __________________

Authorized by: ________________ Designation: _________________ Date: __________________