



HIRSHABELLE STATE OF SOMALIA

Public Financial Management Law 2018

Applicable from

31 March 2018

Regulation #9

Capital Asset Policy

1. Authority, Purpose & Scope

1.1 This regulation is issued pursuant to Section 6, Paragraph 2 of the Public Financial Management Law 2018. This regulation is a “disallowable instrument” as defined in the PFM Act and in accordance with Section 7 is subject to a review period not to exceed ten (10) days by Parliament.

1.2 The purpose of this manual is to set forth the regulations governing the control, maintenance and reporting of capital assets. It is intended to assist personnel in implementing and maintaining an effective property control program.

1.3 This regulation applies to all agencies, entities and institutions of the Hirshabelle State of Somalia as defined in Section 1, Paragraph 3 of the Public Financial Management Law 2018.

1.4 This regulation applies to all assets with a unit value of \$200 or more and have been budgeted and recorded under the Fixed Asset GFS Chart of Account code 311xxx (*see Regulation #2 - Establishing the Budget Classification Structure for Budget Preparation & Execution for discussion on Chart of Account codes*). All such assets must be recorded in the centralized Capital Asset register.

1.5 Assets with a unit value of less than \$200 will not be recorded in the centralized Capital Asset Register and will be budgeted and expensed as a Use of Goods and Services, under GFS Chart of Account code 22xxxx (*see Regulation #2 - Establishing the Budget Classification Structure for Budget Preparation & Execution for discussion on Chart of Account codes as well as the Annual Budget Circular, Section 3, Form 4 for further discussion*).

1.6 This regulation applies equally to all donor-funded assets, either purchased with funds flowed through the Treasury Single Account (on budget) or handed over to the Hirshabelle State of Somalia but purchased by the donor directly (off budget).

2. Definitions

2.1 For the purpose of these policies and procedures, the following definitions apply:

“Assets” provide future economic benefits controlled by an entity of the Hirshabelle State of Somalia as a result of past events. Assets in this Regulation refer to “Capital” assets.

“Capital Asset” refers to real or tangible property having:

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- A value greater than or equal to the capitalization threshold of the asset, as indicated in Section 1.4 of this Regulation;
 - Is under the control and ownership of the Hirshabelle State of Somalia
 - and
 - An estimated useful life of greater than one year from the time of acquisition.

For the purposes of this Regulation, Capital Asset has the same meaning as Fixed Asset per Government Financial Statistics Manual 2014.

“*Capital Asset Register*” records property, plant and equipment with a value in excess of \$200. Capital Assets with a value less than the \$200 threshold will not be recorded in the centralized register. The Capital Asset Register will be maintained electronically, via a special module of the HSS’s FMIS or a stand-alone asset management module. The Capital Asset Register is maintained centrally for the whole of government.

3. Responsibility

3.1 The Director General (or equivalent) of all agencies, entities and institutions, as defined in paragraph 1.3 of this Regulation, shall be responsible for administering this regulation and is ultimately responsible for custody and control of assets assigned to his or her agency, entity or institution.

3.2 The Director General (or equivalent) may delegate duties for coordinating asset physical inventory counts, as well as ensuring capital asset acquisitions, transfers, and disposals are recorded in the centralized Capital Asset Register.

3.3 The Ministry of Finance shall maintain a centralized Capital Asset Register for the whole of government, to be administered by the Director General/Permanent Secretary of the Ministry of Finance or any officer delegated to by the Director General/Permamnent Secretary. Individual agencies, entities and institutions may maintain an entity-specific Capital Asset Register for internal management purposes, however, the centrally controlled register operated by the Ministry of Finance is the official register of the government and all audits and reporting on capital assets will be made against the centrally-controlled register.

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4. Additions to Capital Assets

4.1 Registering and Recording Capital Assets into the Capital Asset Register

4.1.1 In order to maintain accurate asset records, when receiving a new capital asset, the first step is to record it into the centralized Capital Asset Register. This is done by completing the standardized Capital Asset Maintenance Form, issued by the Ministry of Finance via Instruction and forwarding it to the Procurement Department at the Ministry of Finance that is in charge of maintaining the centralized Capital Asset Register.

4.1.2 See *Instruction F – Centralized Capital Asset Register (Use of the Asset Management Module)* for guidance on how to complete the Capital Asset Maintenance Form. This form will contain all the required data characteristics of the asset being recorded and maintained by in the Capital Asset Register.

4.2 Labeling or Tagging of Capital Asset Additions

4.2.1 All capital assets entered into the Capital Asset Register must be appropriately tagged (affixed with a label of a permanent nature) and given a unique identifying number. The centralized Capital Asset Register will automatically issue unique asset numbers for each asset registered.

5. Maintenance of Capital Assets

5.1 Recording Capital Asset Physical Transfers

5.1.1 In order to maintain accurate asset records, asset transfers shall be recorded promptly, within seven (7) days of permanent transfer. A permanent transfer is one that has no current plans of return.

5.1.2 A permanent transfer in this context is defined as a capital asset that is transferred between any of the following:

- Responsible persons to which the asset is assigned
- Any “Location” identifier as defined in the Capital Asset Register

5.1.3 Any capital asset transfer must be authorized using the Capital Asset Maintenance Form as referred to in *Instruction F – Centralized Capital Asset Register (Use of the Asset Management Module)*.

5.2 Updating Physical Condition of Capital Assets

5.2.1 In order to maintain accurate asset records, an asset's physical condition (as the parameter is defined in the Capital Asset Register), will be updated on a regular basis. At minimum, the condition will be updated for changes at the time of any Capital Asset verification counts/audits (see section 5.3) or whenever it is determined that the condition has changed.

5.2.2 Any capital asset physical condition change must be authorized using the Capital Asset Maintenance Form as referred to in *Instruction F – Centralized Capital Asset Register (Use of the Asset Management Module)*.

5.2.3 Capital assets classified in the Capital Asset Register as "Not in Use" must be securely quarantined in a designated location, with responsibility clearly assigned and included on the entities asset disposal plan (see section 6).

5.3 Capital Asset Counts

5.3.1 In order to maintain accurate asset records, a physical inventory count will be performed across all entities as defined in paragraph 1.3 to this Regulation, at minimum, annually.

5.3.2 The individual entities, at the discretion of the individual Director General, may perform an asset count more often, however, the Ministry of Finance, the custodian of the centralized Capital Asset Register, will ensure a physical count is performed annually and the Capital Asset Register updated accordingly.

5.3.3 The Minister for Finance may issue further detailed *Instructions* with respect to conducting physical asset counts.

6. Disposal of Capital Assets

6.1 Principles of Disposal

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6.1.1 The disposal of government assets must be carried in accordance with well-defined rules and procedures to ensure probity of approach, value for money for the government, transparency, accountability, efficiency and fairness in the whole disposal process.

6.1.2 Due to the complexity and considerations required related to the complete process for asset disposal, the detailed process will be outlined in a separate regulation and is not addressed in this Regulation. See *Regulation #11 - Asset Disposal*.

7. Entry into Force

7.1 This Regulation is deemed to have entered into force on date issued of **31/03/2018**

Mr. Mohamed Mohamud Abdulle

Minister of Finance and Economic Development

Hirshabelle State of Somalia

