



KMTC is ISO 9001:2015 Certified

Kenya Medical Training College



FIXED ASSETS MANAGEMENT POLICY

MAY 2019

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PREFACE

On behalf of the Kenya Medical Training College (KMTc) Board of Directors, I am delighted to approve this Policy for use by Management. The KMTc Board is determined to improve access to and equity of quality medical training and to ensure that the institution plays its role in the realization of Sustainable Development Goals (SDGs), Vision 2030, health sector policies and the government agenda on the “Big Four”. The Board continues to realize the set milestones which contribute to improving the quality and quantity of essential health care providers. Inadequate numbers of skilled care providers have had a negative impact on efforts to expand access and improve the quality of health services. This situation is compounded by continued high prevalence of communicable and non-communicable diseases in the country.

Towards this end, the KMTc Board of Directors under my leadership is determined to critically address the task of defining long-term strategies for addressing the constraints to training and development of quality health care providers through:

- i. Improved policy and corporate governance for enhancing accountability and decision making.
- ii. Enhanced access, quality, relevance and equity in medical training.
- iii. Prudent resource utilization and good infrastructural management.
- iv. Increased visibility of Kenya Medical Training College nationally and internationally as a premier institution focusing on training, research and consultancy.
- v. Improved resource base, partnership and linkages.

Prudent asset management is a hallmark of international financial standards to which the College subscribes and adheres. In this regard, this Policy outlines the principles and guidelines in as far as capitalization, coding, tagging, valuation, revaluation, disposal and impairment of assets is concerned governed by the laws outlined herein. The implementation of this Policy ensures that College assets are managed with unquestionable transparency and forthright accountability.

I believe successful implementation of the Policy will be realized through total commitment of the entire staff, students and other key stakeholders.



Prof. Philip Kaloki, MBS,

Chairperson, KMTc Board of Directors.

FOREWORD

The Kenya Medical Training College is a State Corporation under the Ministry of Health established through an Act of Parliament in 1990. It operates as a Semi Autonomous Government Agency under a Board of Directors. KMTC draws on public resources and must be transparent and accountable in its utilization of these resources.

Within the duration of its existence, KMTC has acquired assets in various forms, some fixed and others moveable. Though they have largely been properly taken care of and well kept, records of the assets have to be kept in a proper manner. A register of the assets has also been kept and this Policy will enhance the entire process of asset management.

It is therefore important that the College prepares a Policy to guide the management of its assets, targeting mainly the fixed assets. The main purpose of the Policy is to track the cost of the assets, how they are maintained, the depreciation levels and how they can be disposed.

In particular, the Assets Management Policy will guide in recording and capitalization of the assets, the methods of depreciation and impairment of the assets, timing for valuations and revaluations and procedures for retirement, write off and disposal of the same.

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

The purpose of this Policy is to ensure that the College's fixed assets are acquired, safeguarded, accounted for, controlled and disposed of in accordance with the Laws of Kenya, International Financial Standards and Generally Accepted Accounting Principles.

This Policy is designed to ensure a uniform understanding of capitalization of the College's fixed assets and the efficient management of the fixed assets register.



Prof. Michael Kiptoo,

Chief Executive Officer.

VISION

A model institution in the training and development of competent health

professionals

MISSION

To produce competent health professionals through training and research, and provide consultancy services

CORE VALUES

Accountability

Integrity

Responsiveness

Equity

Teamwork

Professionalism

Creativity and innovation

ABBREVIATIONS

CEO	Chief Executive Officer
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
KMTC	Kenya Medical Training College
MoU	Memorandum of Understanding

DEFINITION OF TERMS

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

1.0 INTRODUCTION

1.1 Mandate of Kenya Medical Training College

The Kenya Medical Training College is a multidisciplinary health training institution and the largest mid-level institution producing core cadres of Kenya's health work-force. KMTC provides approximately 85% of the health workforce. KMTC is also instrumental in the implementation of the Human Resource for Health Strategic Plan (2009 - 2012) and Kenya Vision 2030 through training of mid-level health workers. Supply of well trained health workers has the potential to make significant improvement in critical health indicators such as infant, under-5, and maternal mortality rates.

1.2 Objectives of the Fixed Asset Management Policy

The objectives of this Policy are to:

- i. Establish procedures for recording and capitalization of fixed assets.
- ii. Establish methods of depreciation, impairment, diminution and amortization of fixed assets.
- iii. Determine timings for revaluations and accounting in respect of the fixed assets and ensure their documentation.
- iv. Establish procedures for write off and disposal of fixed assets.
- v. Ensure that the College assets are accounted for in compliance with International Financial Standards.

1.3 Scope of the Fixed Assets Management Policy

- i. This Policy shall encompass all aspects of fixed asset management in KMTC related to:
 - a. Asset categorization, coding and recording.
 - b. Capitalization of the assets.
 - c. Methods of depreciation and impairment of the assets.
 - d. Timing for valuations and revaluations.
 - e. Procedures for retirement, write off and disposal of the assets.
- ii. This Policy was prepared in consideration of the following key legislations, standards and regulations.
 - a. Constitution of Kenya, 2010.
 - b. Land Act, 2012.
 - c. Public Finance Management Act, 2012.
 - d. Public Audit Act, 2015.
 - e. Public Procurement and Asset Disposal Act, 2015.
 - f. International Accounting Standards (IAS).
 - g. International Public Sector Accounting Standards (IPSAS).

1.4 Application of the Fixed Asset Management Policy

This Policy shall:

- i. Apply to fixed assets acquired with funding originating from the College, the Government of Kenya or other external sources, and by gift or loan.
- ii. Apply only in respect of management of the College's fixed assets specifically land, buildings, plant, equipment, furniture, software, goodwill and other assets of an enduring nature which are owned and controlled by the College.
- iii. Use the term asset in reference to fixed asset whose economic benefit to the College exceeds one year.

2.0 ADMINISTRATION OF THE POLICY

2.1 Responsibilities of Key Offices in the Enforcement of this Policy

i. The Board of Directors

The Board of Directors shall have the overall responsibility of oversight with regards to asset management. Changes in the asset register to be communicated to the Board on quarterly basis.

ii. The Chief Executive Officer

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

The CEO shall constitute a board of surveys to conduct annual audit and stock taking of the College's assets and provide an annual report to the Board of Directors for noting or any other action.

iii. Administrative Manager

The Administrative Manager shall be responsible for management and control of assets in the College.

iv. Finance Manager

The Finance Manager shall be responsible for maintenance of the assets register, coordinating asset audits and physical inventories with the Administrative Manager as well as recording capital asset acquisitions, transfers and disposals. Where necessary, the Finance Manager shall evaluate, review or adapt the Policy or the implementation of the Policy, in order to improve assets management and comply with changes in the financial reporting standards.

v. Corporation Secretary

The Corporation Secretary shall be responsible for the custody of all KMTC land title deeds.

vi. Legal Manager

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

vii. Senior Accountant - Capital Section

The Senior Accountant Capital Section shall familiarize himself with this Policy and also ensure that:

- a) Current inventory of all fixed assets within the College are properly maintained.
- b) Changes are effected and notify the Administrative Manager and the Finance Manager whenever there are changes in the fixed assets register.
- c) Assets in the College are secured.

viii. Campus Principals/ Heads of Departments

Campus Principals and Heads of Departments shall be responsible for familiarizing themselves with and sensitizing staff within their campus/department on this Policy. They will also ensure that:

- a) Current inventory of all fixed assets within the campus/department is properly maintained.
- b) They notify the Administrative Manager and the Finance Manager whenever fixed assets are acquired, transferred, donated, impaired, stolen, lost or otherwise disposed.
- c) Identify and report to the Administrative Manager and Finance Manager any surplus assets which are useable but need not be in their campus/departments or which is beyond economic repair and needs to be disposed off.
- d) Assets under their custody are secured, handled with care and used for official College business only.

3.0 CLASSIFICATION OF FIXED ASSETS AND CODES**3.1 Asset will be categorized as per existing government standard coding system****3.2 Asset coding**

The code/tag shall be segmented as follows:

- i. Segment 1- Shall take 4 characters identifying the institution i.e KMTC
- ii. Segment 2- Shall take 9 characters as follows:
 - a) 3 Characters to identify the Campus/Station
 - b) 3 Characters to identify departments/ faculty
 - c) 3 Characters to identify teaching departments/ section.
- iii) Segments 3- Shall take 6 characters
 - a) 3 characters for main category
 - b) 3 characters for sub-category
- iv) Segment 4- shall take 4 characters identifying the item

Example

A printer in the Finance Manager's Office, Finance department shall be coded and tagged as follows:

CODE: KMTC/000/07-00-010/0554

TAG: KMTC/HQS-FIN-FMS/07-00-010/0554

Where 0554 is the printer number, which is auto generated

3.3 Asset Tagging

- i. Tagging shall be done to identify assets as belonging to the College.
- ii. The importance of tagging is to:
 - a. Provide an accurate method of identifying individual assets;
 - b. Assist in taking of the physical inventory;

- c. Control the location of physical assets;
 - d. Aid in the maintenance of fixed assets.
- iii. The tag number is entered in the asset master record at the point of tagging by the officer in charge of asset tagging. The asset tag itself will be issued by the Finance Manager to the assignee (with responsibility for the asset) for attachment to the asset.
 - iv. Even though non-movable, capitalized assets are not tagged, the asset number shall be recorded but not physically attached to the asset.
 - v. Any asset whose cost exceeds KSh 10,000 and has a life greater than one year should be tagged.
 - vi. Furniture and equipment including health and fitness machines with a replacement cost above KSh. 10,000 must be tagged. This includes but is not limited to:
 - a. Furniture
 - b. Computers and Laptops
 - c. Audio Visual Equipment
 - vii. Other special assets to be tagged regardless of their value include assets such as overhead projectors, printers, televisions, DVD players, video cameras, digital cameras, fax machine, PCs, monitors, laptop computers, tablets and any asset that may be easily stolen.
 - viii. The tags should be consistently placed in the same location on each similar as-set type. The tags should be placed, if possible where they can be:
 - a. Easily accessible
 - b. Easily identifiable without disturbing the operation of the asset.

4.0 CAPITALIZATION OF THE ASSETS

4.1 Capitalization Procedure

- i. This procedure involves establishing criteria and/or threshold(s) for classifying an item as a fixed asset.
- ii. Appropriate capitalization thresholds for fixed assets are to be determined by the College using reasonable and consistent rationale.
- iii. The College primarily acquires assets either as complete units ready for use (direct acquisition) such as vehicles, computers, equipment and projectors or through project expenditure for assets like buildings and roads (indirect acquisition).

4.2 Asset Capitalization Guidelines

- i. Land, buildings and motor vehicles shall be capitalized regardless of the cost.
- ii. Asset additions, enhancement, repair, replacement or expansion expenditures that enhance or extend the useful economic life of the assets shall be capitalized.
- iii. Work in progress costs shall be closed out and capitalized into the appropriate assets classification when a project is complete, acceptable and placed into use.
- iv. Expenditure incurred in acquiring Information Technology equipment e.g. laptops, notebooks, desktop computers, servers, printers shall be capitalized.
- v. Where there is additional expenditure to improve/upgrade existing equipment, the expenditure shall be capitalized.
- vi. Furniture and equipment acquired with a value of more than KSh. 10,000.00 and

expected lifespan of five years shall be capitalized. However, equipment of a household nature e.g microwaves, fridges, hotplates, utensils acquired for use in administrative offices will not be capitalized

- vii. Assets whose value is below KSh.10, 000 are expensed in the fiscal year of purchase and are not capitalized.
- viii. When assets are capitalized, the College shall assign an asset number and arrange for the asset to be tagged with the asset number for control purposes.
- ix. Costs incurred to keep a fixed asset in its normal operating condition that does not extend the original useful life of the asset or increase the asset's future service potential are not capitalized. These costs are expensed as repairs or maintenance.

5.0 VALUATION AND REVALUATION OF ASSETS

5.1 Valuation of Assets

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

5.2 Revaluation of Assets

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

6.0 DEPRECIATION

6.1 Basis of Depreciation

- i. Depreciation shall be calculated from the time the asset comes into use.
- ii. Depreciation of assets is calculated using the Reducing Balance Method to write off the cost of the assets over their useful lives.

6.2 The Annual Rates in Use

The annual rates in use are:-

	Percentage (%)
1. Land	Nil
2. Buildings	2.5
3. Work in Progress and Site Works	Nil
4. Motor Vehicles	25

5.	Plant, Office and Other Equipment	12.5
6.	Furniture and Fittings	12.5
7.	Computers and Accessories	30
8.	Academic gowns	5

6.3 Posting of Depreciation

- i. Depreciation shall be calculated quarterly and charged to the income statement.
- ii. The depreciation shall be effective from 1st day of the subsequent quarter, following the date of capitalization.
- iii. The Assets that have been depreciated to zero and still useful shall be re-valued.

7.0 INVENTORY OF FIXED ASSETS

- i. A register of fixed assets shall be maintained by the Finance Manager.
- ii. The Administrative Manager and the Finance Manager shall annually conduct an inventory inspection of all fixed assets of the College.

8.0 MOVEMENT OF FIXED ASSETS BETWEEN DEPARTMENTS

Movement of Assets between Departments shall be recorded in the fixed assets register.

9.0 DISPOSAL OF FIXED ASSETS

9.1 Asset Impairment

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

9.2 Asset Disposal

- i. The College shall dispose fixed assets that are in surplus, not in working condition, obsolete or dismantled.
- ii. All disposals shall be done through the College Board of Survey Committee.
- iii. All members of staff in KMTC shall not be eligible for acquisition of disposable assets. This is in line with the Procurement ACT 2015.
- iv. All disposable assets should be approved by the Board of Directors before disposal. A report on disposed assets should be presented to the Finance, Planning and Development Committee of the Board which will make recommendations to the Board of Directors.

10.0 DONATED ASSETS

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

11.0 CAPITAL BUDGET

- i. Departments and units shall prepare their estimates for the various capital expenditure as appropriate.
- ii. The budget items shall be consolidated at the Finance Manager's office and rationalized by the College Budget Committee before approval by the Board of Directors.

12.0 POLICY IMPLEMENTATION

12.1 Implementation Date

This Policy takes effect on the date it is approved by the KMTC Board of Directors.

12.2 Monitoring and Evaluation

- i. The College shall conduct monitoring and evaluation of the effectiveness of this Policy in line with the Monitoring, Evaluation and Reporting framework.
- ii. The College shall:
 - a. Develop and maintain strategies and mechanisms for monitoring and evaluation of this Policy.
 - b. Undertake regular check on implementation of the Policy.
 - c. Carry out annual evaluation on the implementation of the Policy.
 - d. Use the information for planning and management.
 - e. Propose potential areas for review.

12.3 Review

The Policy will be reviewed after every three (3) years or earlier as need arises with an aim to enhance efficient delivery of effective outcomes.

Changes to the Policy in the following manner;

- i. Any member of staff may initiate changes to the Policy by submitting written suggestions to the Finance Manager.
- ii. All proposed changes must be submitted to the CEO for approval. Any changes made by the CEO to the Policy shall be brought to the attention of the Board of Directors for final approval.
- iii. Once amendments are approved, the CEO shall ensure they are implemented by issuing revisions to the Policy and ensuring dissemination of the approved amendments.

APPROVAL

Title : Fixed Assets Management Policy

Contact : Deputy Director Finance and Administration

Approval Authority : The Board of Directors

Commencement Date : May 2019

SIGNED



**Prof. Philip Kaloki, MBS,
Chairperson, KMTC Board of Directors.**

15th May 2019
Date



KMTC is ISO 9001:2015 Certified.

Kenya Medical Training College


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