



**Islamic Republic Of Afghanistan
Kabul Municipality**



ASSET MANAGEMENT POLICY
ADMINISTRATION AND FINANCE DEPARTMENT

H.E Mohammad Yonus Nawandesh

Mayor Signature:_____



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1.0 General

The intent of this policy is to ensure a uniform method for accountability and inventory of the Kabul Municipality assets.

The basic reasons to account for assets are:

- 1) The Kabul Municipality has a responsibility for safeguarding and maintenance of the capital assets that it owns.
- 2) A considerable amount of municipal money can be lost or wasted if there is no accountability of capital assets.
- 3) The internal audit will report failure to account and/or lack of accountability.
- 4) It provides a basis for adequate insurance coverage.
- 5) It provides inventory lists to departments for conducting a physical inventory.
- 6) It provides a basis for annual depreciation.

To assist in accountability and theft prevention, all Department Director is ultimately responsible for all property assigned to their department.

In case of theft or negligence, the Municipality may pursue the violator under the law or disciplinary policy.

2.0 Purpose

It is the policy of the Kabul Municipality to assure that assets owned by the municipal are accounted for and reported accurately and properly.

3.0 Definitions

3.1 Capital Assets: Are tangible and intangible assets which are intended to be held or used for the Long-term.

Or:

Accordance to the International Public Sector Accounting Standards the definition is: In governmental accounting tangible and intangible assets used in operations with an initial useful life extending beyond one reporting period.

Examples of capital assets are: land, artwork, buildings, improvements,

Infrastructure, construction-in-progress and machinery and equipment In common usage, the term refers only to operating facilities and equipment, not to long term investments or other noncurrent assets.



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3.2 Asset Number: Is a number uniquely assigned to each asset. It can be used for identification in the asset database. For moveable property, the asset number is the tag number which is affixed to the asset. If the tag cannot be physically attached to an asset, the asset number will still be assigned and recorded.

3.3 Current Asset: Are tangible and intangible assets which are intended to be held or used for the short-term that could be converted to cash in less than one year but require special attention. Special attention may be required to ensure legal compliance, protect public safety or compensate for a heightened risk of theft. Departments have discretion in determining what is operationally appropriate for designation as a Current Asset.

3.4 Artwork: Is a non-depreciable asset defined by KM to be aesthetically valuable to the City. Artwork is not generally used in the day to day operations of the KM . Artwork is recorded using purchase price, estimated fair market value or appraisal at the date of acquisition. Artwork may be recorded even if monetarily below the recording capital asset threshold for tracking and insurance purposes.

3.4 Capitalization limit: Is the minimum cost per unit at which an asset must be valued to be

Considered a capital Asset, Assets purchased with grant funds may have a different threshold amount. Usage and disposal of assets acquired by a grant are subject to the grant agreement which supersedes this policy. The following table gives the capitalization thresholds for each class of Capital Asset:

<u>Asset Class</u>	<u>Threshold Amount</u>
Land	0
Buildings, Building Improvements and Building Fixtures	0
Improvements other than Buildings	0
Infrastructure	0
Machinery and Equipment	0
Artwork	0
Construction-In-Progress	0
Intangible Assets	0

4.0 Recording Assets

4.1 Service department responsibility

1. Maintain the physical safeguarding of municipal tag numbers.
2. Assign asset numbers to purchased capital and current assets.



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3. Record and process journal entries to capitalize, transfer and delete capital assets.
4. Maintain a perpetual list and file of capital and current assets owned by the KM.
5. Coordinate a periodic physical inventory.

4.2 New Asset Purchases

It is important that all purchased new assets that fall within the scope of Capital Assets in “definitions” and “monetary value” and have a useful life longer than two years, shall be registered in the asset data base with their unique tag number, unit cost.

The asset value shall be determined by original cost, historical cost or estimated historical cost if actual historical cost is not available. The original cost shall include the cost, sales tax, transportation expenses and the cost of installation.

Periodically Service department shall sort a list of all entries to the object code on chart of accounts The Capital Outlay list is matched with the equipment asset numbers assigned during the period. The department and object codes are checked to verify that purchases have been charged correctly.

Asset purchases which fall within the scope of Current Assets in “Definitions” shall be tagged and recorded in the municipal’s asset database, but will not be included in the KM Financial Statements.

Once it is determined that current and capital assets have been received, the Service department shall associate assigns Kabul Municipality asset tags for the assets and prepares Equipment Inventory Memorandums. If it is known at this time that items have been financed with grant money, a remark is added on the Equipment Inventory Memorandum to show the designated percentage of grant money used.

All costs related to the construction of an asset including infrastructure must be capitalized and the limited apply to the total cost after completion of the project including allocated indirect costs.

These costs generally include amounts paid for contract work (for work done by outside contractors), materials and supplies furnished by the KM, labor of Municipal employees and project management costs.

Some costs will be direct costs and readily assignable while some will be indirect costs, which should be allocated to benefited assets in a general accepted distribution code. Costs incurred during construction shall report as Construction-in-Progress if construction has not been completed by year-end. Once completed, the Construction-In-Progress asset is reclassified as Buildings, Improvements Other Than Buildings, Infrastructure or Equipment.

Long-range planning or other advanced planning costs and costs incurred to conduct feasibility studies or government compliance studies may be capitalized when it can be shown that they provide benefits to existing or future capital assets.



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The asset tags and Equipment Inventory Memorandums are sent to the department responsible for safeguarding of the assets. This department attaches the tags to the assets, adds any requested inventory information and returns the memorandum to the Service department head to be recorded in the municipal asset database. Any unprocessed Equipment Inventory Memorandums need to be returned to the Service department with an explanation of why the tag was not affixed to the asset.

If a single cost covers property that is separable into several departments, proper detail must be secured from the Purchasing Division and/or Department Director to determine distribution of costs.

5.0 Transferring Assets

Interdepartmental Transfers

Transfers of assets between departments are allowed by mutual agreement of the departments.

If the assets meet the definition of Current or capital assets, the department transferring the assets must notify the service department via an (Asset Disposition Form). This form serves to transfer responsibility for maintenance and accountability for assets to the department receiving them and These transactions should be recorded in the asset data base.

6.0 Disposition of Assets

Surplus or Trade-In of Assets

Before an asset is surpluses or traded-in, the department must first determine if the asset had originally been purchased with grant monies. If it is determined that grant monies were used, the department must refer to the grant agreement and follow prescribed procedures for disposition.

7.0 Lost or Stolen Assets

Lost or stolen assetz must be reported to the Service department as soon as

It is discovered the equipment is missing.

Department has to issue a report for the Mayor, DM and DG with a copy to the DG of Internal Audit. The Mayor, DM or DG will decide if an investigation by the Internal Audit Department is necessary. If the equipment is not found within 90 days after a management report has been filed, it shall be removed from the asset database by the Service department; simultaneously the Department Director has to notify the Accounting Department to write off the item by issuing an Asset Missing Form

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8.0 Destroyed Equipment

Equipment which has been destroyed or damaged beyond repair must be reported to service department via the Asset Disposition Form. The Safeguarding Department must proceed to handle the equipment as outlined in the junked equipment process, noted above. The Administration or Service department will note the status of the equipment in the asset inventory database and will remove them at year-end.

9.0 Inventory

Inventory of Municipal Property

Periodically a complete physical inventory of all Municipal property shall be conducted. Individual department reports by asset tag number will be distributed to custodial departments by the general service department at least every two years. These lists will contain sufficient information to allow for easy identification of assets. The purpose of this inventory is to provide assurance that all Municipal property is actually in the possession of the Municipal and properly accounted for.

The Safeguarding Department will verify the existence of the assets, make corrections and additions and identify the persons responsible for the accuracy and completeness of the inventory count. The Department Director in each department will verify the inventory of all property belonging to the KM in and under his/her control by certifying a document prepared by service department that states:

1. They have the item,
2. Missing items are properly explained and noted as “missing”, “sold”, etc.,
3. Incomplete information is corrected,
4. Items not included in the inventory sheet, but physically located, are added, and
5. Information not reflected in the inventory report, which includes, but is not limited to the
6. Information required by grantors, is noted.

Any department may designate another department to perform the annual inventory count for some or all of its assets. For instance, Information Technology inventories the computer equipment for the whole Municipal, Fleet Management inventories vehicles and radios, These departments also are responsible for coordinating the replacement, purchase and

Surplus of assets as designated by Administration, At the end of each fiscal year, a copy of their inventory list will be forwarded to DG of Administration.

10.0 Equipment Inventory Memorandum File

The Service department shall maintain a copy of the Equipment Inventory



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Memorandums filed in asset number order. Additions and changes to equipment inventory per the Equipment Inventory Memorandums are entered in the Municipal asset database by the service department

When assets are disposed, the Equipment Inventory Memorandums are pulled from the “active” file and transferred to the “disposed” file. The disposed file is maintained by year of disposition in tag number order. Disposed asset sheets are kept for seven years.

11.0 Internal Control

The Director of Administration shall establish a system of internal control and written guidelines which shall be reviewed annually by Internal Audit department these controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

12.0 Reporting

Head of service department under supervision of DG administration shall generate quarterly reports for management purposes. The reports will be made available to the Kabul Municipality as part of the quarterly report.

13.0 Consequences of Violations

The Kabul Municipality will not tolerate any fraud or corruption and will maintain an effective anti-fraud and corruption strategy, based upon comprehensive on-going risk assessments in all areas of Kabul Municipality activity, to reduce losses from fraud and corruption in all areas to an absolute minimum, through:

- The promotion of an anti-fraud culture;
- Robust measures to deter, prevent and detect fraud
- The professional investigation of any allegation or suspicion of fraudulent or corrupt activity; and
- The instigation of legal, disciplinary and recovery action against any individual found to have acted fraudulently or corruptly in their relationships and dealings with the Kabul Municipality.

Action for all other cases will be determined by the circumstances of the case. If fraud or corruption takes place, Kabul Municipality where appropriate shall:

- Prosecute the individual(s) or refer the case to the police;
- Take appropriate disciplinary action where it involves an employee which could lead to dismissal;
- Refer the case to the Management Board of Kabul Municipality
- Pursue recovery for all financial loss



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14.0 Policy Evaluation

It is important for Department of Administration to evaluate the effectiveness asset management programs to better manage their Assets throughout the course of the financial year

This policy should be regularly evaluated to ensure it enables and effectively move Kabul Municipality towards its goals.

15.0 Policy Enforcement

The contents of this policy are enforceable after His Excellency the Mayor's approval.