Asset Register Framework
for Government of A.P.

CENTRE FOR GOOD GOVERNANCE
Knowledge • Technology • People

About CGG

The Centre for Good Governance (CGG) was established by the Government of Andhra Pradesh (GOAP) in October 2001 to help it achieve the goal of 'Transforming Governance'. Besides supporting the design and implementation of GOAP's Governance Reform Programme, CGG undertakes action research, renders professional advice, and conducts Change Management and Management Development Programmes for Government departments and public agencies to help them implement their reform agenda.

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The Team

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Executive Summary

As assets held by government are exceptionally valuable, their (particularly capital assets) custody and stewardship assume great importance. Equally important is the need to provide for their maintenance and timely replacement. Today the collaboration between public and private sectors is taking a variety of forms where ownership is either not clearly defined or the ownership (transfer) issues arise many years down the road. Many valuable assets (particularly land) are transferred conditionally to private enterprises where effective ownership vests with government. Information about the existing stock, assets transferred under PPP and other arrangements, the cost of use, the need for replacement is, therefore, vital for decision making and to protect public assets from misuse and encroachment.

It is seen that assets are the very mainstay of a private enterprise's existence and its financial and operational wellbeing. Little wonder, then, that the entire accounting and internal control framework revolves around the management of assets. Not only is every individual investment in any asset expected to yield an anticipated return, assets as a whole should also yield a reasonable profit for the enterprise to survive and thrive.

Assets in public sector, on the other hand, are seen to be peripheral in their importance even though they play an equally key role in delivery of services. Lack of commercial considerations on part of public sector need not be a reason for assets to be relegated to a secondary position. Part of the problem lay in the cash based accounting system in government which does not recognize assets as such because it expenses capital expenditure as recurrent expenditure. When assets are not captured in the accounting statements, it is veritably a case of 'out of sight, out of mind.' It is seen that internationally, the countries that have switched to accrual (resource) based accounting have made considerable progress in bringing asset management to central focus.

While accrual based accounting may be pursued as a long term goal, getting the act together on asset management has its imperatives. Firstly, government holds large number of valuable assets in trust on behalf of the citizens. Their proper upkeep and safety is a basic responsibility of the government. Secondly, notwithstanding non-commercial approach of government, it still needs to know how efficiently it is delivering the services, which is possible only when cost of use of assets is taken into account. Thirdly, proper planning of maintenance and replacement of assets is possible only when there is a proper assets register. The need for an asset register framework and its objectives are discussed in Chapter 1.

The existing rules do not differentiate between stores and assets. Moreover, they cover only low value movable assets such as furniture, fixtures, tools and plant, etc. and do not include high value capital assets. Chapter 2 provides an overview of existing practices in GoAP as also some of the successful international experiments in this area.

The first step in asset management is to differentiate assets from stores (items which are consumed like stationery) and stock-in-trade (items that are for sale such as the produce of jail inmates). An asset register policy framework that will guide the preparation and maintenance of asset register is imperative for an effective asset register framework. The policy framework is set out in Chapter 3 of this report. A major initiative such as the asset register preparation can not be accomplished without an adequate organizational support framework. It would not be possible to prepare and maintain a state wide asset register unless posts are identified for carrying out the work and their roles and responsibilities are precisely defined. The suggested organizational framework is given in Chapter 4.

It is a matter of policy as to what assets would be included in the asset register and what would be key principles of asset management such as the threshold value beyond which an asset would be recognized as an asset, and so on. Chapter 5 provides a working definition of assets for the purpose of asset register framework and puts forward some rules for asset register.

Asset register is essentially a database of assets. In order that asset information is easily and effectively retrieved, it is necessary to apply a coding and database structure that serves the information needs of different users. What data fields to be included depends upon the type of asset and this requires careful consideration. Chapter 6 provides the recommended coding and data structure. Although efforts have been made to make the data structure as close to the users' requirement as possible, it needs further refinement in consultation with the users. The ultimate goal of the asset register framework is to inventory the assets. The process of enumerating the assets and the steps to be taken are given in Chapter 7, and Chapter 8 deals with subsequent maintenance of asset register.

Stakeholders' workshop

As the implementation of the asset register framework across the state involves stupendous effort, involvement of stakeholders in determining the contours of policies, the designing of coding and database structure, the architecture and platform of computer application and their general consensus with the framework is important, A workshop was accordingly held on 29 September 2008 to discuss the different issues pertaining to the implementation of the Asset Register Framework across the Departments. There was a consensus on some issues like the exclusion and inclusion rules,

first time enumeration policy and procedures, setting up of an AMC, etc. On certain issues e.g. assets pertaining to irrigation department for instance need further deliberation in consultation with officers of that department. The asset register framework has been revised to reflect these decisions.

Chapter 1

Asset Register Framework – need and objectives

1.1 Community assets held by government, known as public assets, form bulk of the wealth of a nation. These assets include land, buildings, equipment, vehicles, roads, canals, culverts, heritage structures, works of art and natural resources like forests, mines, etc. Unlike corporate assets deployed for generating revenues, public assets are used by the government in delivering services like law and order, public health and education, etc. and, some assets like heritage buildings and natural resources are held in trust on behalf of the people.

1.2 As assets held by government being exceptionally valuable, their (particularly capital assets) custody and stewardship assume great importance. Equally important is the need to provide for their maintenance and timely replacement. Today the collaboration between public and private sectors is taking a variety of forms where ownership is either not clearly defined or the ownership (transfer) issues arise many years down the road. Many valuable assets (particularly land) are transferred conditionally to private enterprises where effective ownership vests with government. Information about the existing stock, assets transferred under PPP and other arrangements, the cost of use, the need for replacement is, therefore, vital for decision making and to protect public assets from misuse and encroachment.

1.3 In the absence of an adequate asset management system, the following problems can occur:

- Poor use of assets;

- Failure to recognize surplus assets;

- Significant variation in operating costs between locations;

- Inadequate management information to support decision making in the areas of capital and maintenance budgeting;

- Deteriorating physical condition of stock and resultant fall in quality of service delivery; and / or

- Continuing maintenance of unproductive assets.

1.4 A business enterprise does well as long as it is able to generate sufficient revenues by efficiently utilizing its assets. A positive net worth of a company denotes excess of assets over liabilities. Sales to capital employed (assets) and net profit to total assets are important accounting ratios to determine operational efficiency and profitability of a company. One of the two financial statements prepared by a company and attested by auditors as being true and fair is the balance sheet or the Statement of Assets and Liabilities. A major

portion of internal control framework involves accurate reporting and safe custody of assets. In sum, assets are at the very core of a private enterprise's existence; it can ill afford neglecting them in any manner.

1.5   The future benefit is the main attribute of assets whether held by a public authority or a company; however, 'for business enterprises, the only future benefit provided by an asset is its economic benefit – a capacity, singly or in combination with other assets, to contribute directly or indirectly to future net cash inflows. On the other hand, what governments recognize is an asset's ability to contribute to providing the public services and goods. Assets such as roads, courthouses, libraries, and parks directly provide public services or goods while other types of assets, such as investments contribute indirectly. Consequently, information on fair values of capital assets is of limited value and measures of net income and earnings per share have no meaning to users of governmental financial reports. *Instead, user need information to assess the government's stewardship of public resource, including information to evaluate the manner and the extent to which resources are devoted to specific services and the cost of providing those services'.*[1]

1.6   However, governments which hold enormous assets traditionally lacked focus on assets. Of late, Governments have realized that managing their assets properly could help them attract higher rate of investments in their region, improve public infrastructure, swap surplus assets for better investments and transfer some unproductive assets to private sector for accessing new funding. Good public asset management practices not only reduce the risk of loss but enable better economic management as also reduce unnecessary burden on the tax payer.

1.7   One of contributory factors for poor asset management in public sector is the fact that most governments follow single entry cash or budget based accounting which does not capitalize assets. Consequently, financial statements do not capture assets owned by the government though assets physically exist and economic benefits flow from them. On the other hand, under the accrual or resource based accounting system, assets are capitalized and their values shown in the financial statements. Physical verification of assets is an important component of certification of accrual based accounts. Not surprisingly, many government properties and community assets are encroached upon causing not only financial loss to the government but also grievous damage to eco-system. Thus, the larger issue is one of protecting government (community) assets from loss and misuse. In this scenario, the key control to monitor assets is assets register. This control is by and large overlooked in various departments.

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[1] *Why Governmental Accounting and financial reporting is and should be different – GASB publication*

1.8   One would assume that any entity would maintain at least the physical record of its assets as a prudent practice. However, in government departments while registers are maintained for furniture and fixtures, no record is generally maintained of larger assets such as land, buildings, roads, etc. Need for such records is not generally felt until there is a decision to convert a department into a company as happened with department of telephones; or, until a decision to switchover to an accrual based accounting system as in the case of urban local bodies. In both the cases the physical existence of assets had to be established through a process of enumeration as no records were available. Valuation of the assets is the next big issue, which is admittedly lesser of the problems compared to non-existence of physical record of assets owned.

1.9   The fact that asset management is weak in GoAP has also been noted by the State Financial Accountability Assessment conducted in 2003. This has been partly addressed by the guidelines and formats issued vide G.O.MS No. 667 dated 11.10.2004 for enumeration of assets. Through this GO the Government directed all the Heads of Departments to prepare list of all assets of their subordinate offices and agencies including state level offices, and to report asset inventory information by 31 December of every year to administrative departments of secretariat. The administrative department of secretariat in turn shall furnish the same asset information to finance department by 15th of January each year. However, it has been noted in a recent study undertaken by CGG (Post SFAA Impact Study) that a majority of departments including Roads & Buildings, Irrigation, Revenue, Education, Medical & Health, etc. have not furnished the information on assets. Only 13 departments (Anti Corruption Bureau, Lok Ayukta, Gray Hounds, Director of State Audit, Industrial Tribunal, Intelligence, etc.) have furnished the information to the Finance Department (January 2005). No information has been received from even these departments subsequently. The information received in January 2005 was not consolidated in Finance Department due to non-receipt of information from majority of major asset owning departments and also due to lack of man power. No further action was taken by Finance Department in this regard.

1.10   An asset register, an integral part of any good asset management system, would offer full picture of assets owned by Government. Enumeration is a major step forward in establishing accountability for assets. It permits loss, theft or damage to property to be identified by a comparison of the assets on hand and their condition to the information found in the asset register. When asset condition assessment is also available as part of the asset register, it facilitates decisions relating to major repairs or replacements and budgeting for them. Most importantly, it demonstrates government's commitment to safeguard these assets. A published asset register would cater to varying needs of stakeholders as shown below:

Stake holders	Purpose
Tax Payers / Creditors/ Investors/ Media / Analysts	Provides information to assess stewardship of the Government
Legislators	Provides input for policy initiatives like allocation of resources, charging user fee for services rendered or cost of subsidy offered, efficiency of departments in making use of assets, vulnerability of assets and measures to safeguard assets etc.
Senior Management	Provides input for computation of cost of services, preparation of operational and capital budgets etc.
Line Management	Line management use and update information in asset registers in their day to day operations. This process is integrated with regular operations viz., tendering works, tracking work-in-progress, maintenance and use of assets in achieving the objectives of the department.

Reforms and experience of other countries

1.11 Canada has developed a nationwide policy with decentralized practical asset management and incentives to implement the policy. It had encouraged the departments to dispose of unproductive ('rusting') properties with several conditions attached of course and allowed the departments to retain the proceeds for utilizing them departmentally.

1.12 U.K. has prepared a national asset register department wise which lists assets not only owned by the departments directly but also those owned by the non-departmental public bodies and executive agencies. Assets have been classified into various categories. They are listed in the Asset Register along with their location.

1.13 Australia has similarly developed an asset management manual that provides the framework for the identification, acquisition, accounting and the maintenance of its community-owned assets. The general and specific valuation principles of assets, their depreciation methods and recording principles are well established. New Zealand has a decentralized system of asset management. Each council and individual department of the state at the local level is responsible for the identification and recording of its assets.

1.14 The US federal government maintains a complete online register of the various assets it owns, their valuations, acquisitions and disposals. It also supports the public- private-partnership in the acquisition and maintenance of the assets. Using e-tools the Federal Government also makes feasible for private individuals to acquire redundant assets in auctions. Countries like South Africa, Botswana and Chile have also put in place the asset management framework

1.15   Republic of South Africa has passed a legislation viz. Government Immovable Asset Management Act, 2007 (No. 19 of 2007) which has the following as its objectives:

  i. Provide a uniform immovable asset management framework to promote accountability and transparency within government;

  ii. Ensure effective immovable asset management within government;

  iii. Ensure coordination of the use of immovable assets with service delivery objects of a national or provincial departments and efficient utilization of immovable assets;

  iv. Optimize the cost of delivery by –

    a. Ensuring accountability for capital and recurrent works;

    b. The acquisition, reuse and disposal of an immovable asset;

    c. The maintenance of existing immovable assets;

    d. Protecting the environment and the cultural and historic heritage; and

    e. Improving the health and safety in the working environment.

1.16   The above Act identifies the custodian and user for immovable assets and establishes the respective responsibilities. It lays down the following principles of immovable asset management:

a. An immovable asset must be used efficiently and becomes surplus to a user if it does not support its service delivery objective at an efficient level and if it cannot be upgraded to that level;

b. To minimize the demand for immovable assets, alternative service delivery methods that do not require immovable assets must be identified and considered;

c. In relation to acquisition, it must be considered whether –

  i. a non-immovable asset solution is viable:

  ii. an immovable asset currently used is adequate to meet a change in service delivery objectives; and

  iii. the cost of the immovable asset as well as operational and maintenance cost through its life cycle justifies its acquisition in relation to the cost of the service;

d. Immovable assets that are currently used must be kept operational to function in a manner that supports efficient service delivery;

e. When an immovable asset is acquired or disposed of best value for money must be realized;

    f.   In relation to disposal, the custodian must consider whether the immovable asset concerned can be used ---

        i.   By another user or jointly by different users;

       ii.   In relation to social development initiatives of government; and

     iii.   In relation to government's socio-economic objectives, including land reform, alleviation of poverty, job creation, redistribution of wealth, etc.

1.17   Although the Act and the principles above refer to immovable assets, they do actually capture the essence of asset management and are relevant to all types of assets. For example, the principle that '*an immovable asset currently in use must be kept operational to function in a manner that supports efficient service delivery'* is so relevant to government hospitals where many of the equipment would be so poorly maintained that service delivery is perforce below par. We shall refer to these principles in the report where required.

Terms of Reference

1.18   Government of Andhra Pradesh (GoAP) has been spending substantial amount on creation of fixed assets over the years. These assets are scattered all over the state and there is presently no systematic record of these assets with details such as cost of acquisition / construction, type of structure, remaining life of assets, etc. GoAP recognizes that lack of proper record could lead to irregularities and therefore, as part of Public Financial Management Strengthening project funded by the World Bank / IDA has contracted Centre for Good Governance to:

    a.   conceptualize and develop a system of recording and maintaining fixed assets acquired by GoAP; and

    b.   develop a fixed asset register and devise a system to record the details of fixed assets acquired by and in possession of the government.

1.19   An outline of the tasks to be carried out include:

    a.   Make a detailed study of the existing system of recording / reporting, accountability, maintenance, etc. in five major departments;

    b.   Identify information needs at different levels in the departments with regard to proper accountability, fixation of custodial responsibility, etc.

    c.   Develop a suitable coding system to tag the fixed assets; and

    d.   Develop suitable forms for data collection at the field unit / district / HoD / State levels.

1.20   Key deliverables are:

- A framework for Asset Register and

- Input forms for data collection of five departments (actual data collection would follow and be done by the government)

1.21   That proper asset management and an updated and comprehensive list of assets (i.e. asset register) are extremely critical for an efficient and effective government cannot be overemphasized. Given the above terms of reference, this project would provide:

a. Policy and organizational framework for asset management;

b. Criteria to consider assets for inclusion in the ambit of asset management;

c. A database structure for asset register / management;

d. System of classification and codification of assets;

e. Methodology for first time enumeration and subsequent physical verification;

f. Form and guidelines for collecting data; and

g. Procedures for maintenance of asset register.

Methodology

1.22   Firstly, the CGG has conducted a desk review of all manuals, codes and rules of Government of Andhra Pradesh as also a through survey of literature on the asset management practices followed internationally. Assets management in the following five departments was studied in depth:

- *Roads and Buildings,*
- *Health,*
- *Social Welfare,*
- *Commercial Taxes and*
- *Road Transport Authority*.

Asset Register Framework

1.23   An asset register framework has been developed based on the above. Asset management policies and definition of roles and responsibilities of different players in the organization are critical for an asset register framework. While the policies provide the required guidance, the organizational framework offers the means for creating and maintaining an asset register. In a sense they provide the structural support to asset register framework. Accordingly Chapters 3 and 4 lay down the policy and organizational frameworks needed to support preparation and maintenance of asset register.

1.24   Essentially the asset register is a database of assets. However, what constitute assets for the purpose of being included in the asset register need to be defined. As is discussed in chapter 5, there are not only various types of assets but also different terms used to refer to them. Apart from the definition of

asset for the purpose of asset register, which is very important, there is a need also to lay down some rules for inclusion and exclusion from the asset register because it is not the objective of asset register framework to record all assets. Definition of assets and rules for inclusion and exclusion are laid down in chapter 5.

1.25 As stated above, asset register is a database after all and the purpose of having an asset register is to provide a department / the government information on assets it possesses. The structure of database would depend upon the information needs at different levels and could vary from department to department. However, as the asset register database is going to be for the government as a whole, the database structure would have to be able to provide baseline information that all are likely to need. It is necessary that assets are identified through a uniform coding structure so that consolidation of assets at the state level is possible. A uniform coding structure would also facilitate data analysis and support decision making in government. The coding and database structure and the principles underlying them are discussed in chapter 6.

1.26 Ultimately the objective of this entire exercise is to prepare asset register at the state and at the department / office levels. Chapter 7 lays down the principles and procedures for enumerating (inventorying) the assets. Chapter 8 provides the procedures for maintaining the asset register once it is prepared.

Chapter 2

Current asset management practices

No reference to assets, no definition of assets in the codes

2.1   Financial management of the state is governed by detailed procedures in various codes viz. A.P. Budget Code, A.P. Financial Code and A.P. Treasury Code. Capital works, referred to as 'works' are guided by Public Works Department Code. None of these codes use the word 'assets' much less define the word 'Asset'. While current assets and furniture are defined as 'Stores', capital work-in-progress is defined as 'works'.

2.2   As per note to Article 122, A.P. Financial Code the term 'stores' indicates 'all articles and material required for public service coming into an officer's possession for various purposes e.g., furniture, chemicals, scientific instruments, appliances and stationery articles, articles of diet in hospitals / jails, material for construction of buildings departmentally, manufactured stores, tools and plants; but excluding books, publications, periodicals etc. in a Library'. This definition is does not distinguish between stores and assets.

2.3   The term 'works' as defined in Article 147 of A.P. Financial Code covers not only works of construction and repair of buildings, roads, irrigation project, etc., but also the manufacture, supply, carriage and repair of tools and plant and other stores required in connection with works of construction and generating stations and transmission and distribution lines including service connection and other works incidental to them. This definition obviously refers to only 'capital-work-in-progress'. There is no mention of completed works, that is, to buildings, roads, canals, etc.

2.4   A quick look at the provisions in the codes listed below confirms the above view that there is no distinction made between stores (which are consumed such as stationery, chemicals, diet, etc.) and assets (which have longer economic life and are used in delivering a service such as machinery, equipment, furniture, etc.).

Chapter VII - Stores	
122:	Introduction and definition of stores
123:	Authorities competent to purchase stores
124:	Forecast of requirements and time of purchase
125-126:	Rules and instructions governing the purchase of stores
127:	Acceptance of Tenders
128:	Agreement for supply of stores
129:	Security to be taken from contractors
130:	Examination of contracts by Accountant-General
131:	Tenders & agreement form

180:	Lending Government tools to piece-workers in Scheduled Areas
181:	Completion Report
182:	Disposal of surplus materials
183:	Protection of religious edifices

No codification and tagging

2.5 Codes do not provide for coding and tagging of assets. Article 135 of A.P. Financial Code prescribes that maintenance of stock accounts with details of items received, disposed off and balance in hand. The same article also stipulates that in case of large offices where furniture is kept in several rooms, the head of office should have an inventory of the furniture in the room hung up in the room to facilitate annual physical verification. Article 143 prescribes physical verification of stock at least once a year. But codification of assets is not prescribed.

2.6 The above situation is true for almost all state governments as the codes and manuals which have been handed down from the British India have not been reviewed and revised in the last six decades. Changes to these codes have been made in a piece meal fashion. Lately, the governments are aggressively promoting new ways of creating infrastructure assets through Private Public Partnerships. Such ventures will pose a major risk without necessary asset monitoring framework establishing, among others, ownership and control of the assets created under such arrangements.

2.7 *It is strongly recommended that the state government undertake a comprehensive revision of codes and manuals; in the interim, the government should give effect to the asset management framework described in this report through suitable government order.*

2.8 The classes of assets held by the five selected departments are discussed below.

Office of Commissioner, Social welfare Department

2.9 Commissioner social welfare is responsible for implementation of Protection of Civil Rights Act 1955 and Andhra Pradesh Schedule Castes and Schedule Tribes (Prevention of Atrocities) Act, 1993 in the State. Towards this objective the department sponsors establishment expenses for about 130 enforcement personnel maintained in the Police department including office of one Inspector General of Police who heads the operations. Although this cell has some immovable assets (as this cell is part of Police Department), vehicles sponsored by Department of Social Welfare are major assets of this cell. Office of Commissioner Social welfare oversees the following activities and owns various assets.

2.10 **Hostels:** There are 2356 hostels run by the department. The 2356 hostels also include 79 Anand Nilayams for orphans, 14 beggar children homes, 8 ashram homes in agency area for leprosy children. Of the 2356 hostels, 1553 are housed in government buildings and 803 are located in rented houses. The land on which these hostels are built is government land given to the department. The department has its own engineering wing which undertakes the construction of the building. However, in some cases the construction may be handed over to engineering wings of other departments as well.

2.11 **Community halls:** While community halls are owned by Department of Social Welfare, responsibility of management and maintenance is with the panchayats.

2.12 **Residential schools**: Department of Social Welfare manages 300 schools, of these 80 schools are in project areas. These 80 schools are located in buildings and sheds constructed during construction of major irrigation projects like Telugu Ganga Project etc. which were eventually handed over to Department of Social Welfare to be used as school buildings. State Government may take a decision on disposing of construction equipment and material like huge pipes and irons rods left in some of these school premises.

2.13 At the district level, the construction and management of the hostels and schools is done by district level committees headed by the Joint Collector. There is also a district level engineering wing headed by the Executive Engineer (Social Welfare) for the construction of the district level school and hostel buildings, infrastructural development and repairs and maintenance.

Office of Commissioner of Commercial Taxes

2.14 Though the Commercial Taxes Dept is the largest revenue collector of the state grossing 60 percent of the state revenue, it owns hardly any assets. The CTD works at three levels, the head office, 25 divisions and 193 circles. While the head office building located in Nampally is its own building, all other offices are in rented buildings and shared government offices. However, CTD has fairly large IT assets.

Roads and buildings

2.15 The R&B department was earlier a part of the PWD. In 1962, it got separated from the PWD with irrigation and power which was also divested into an independent Department. At present, the R&B has a road network of 68000 km, which is classified into 4 major categories:

- National Highways
- State Highways
- Major District roads

- Rural roads.

2.16 The Ministry of Surface Transport, Government of India is the owner of the National Highways and the Roads and Buildings is the custodian of the National Highways that run through the State. The execution the high-way projects and maintenance of these roads is done by the State Government at the behest of Government of India.

2.17 The State highways are owned by the Department of Roads and Buildings. The local bodies (municipal bodies, panchayats, or Zilla Parishads) own the other roads and in case they are unable to maintain the roads or construct them because of lack of capacity or funds, then these roads are handed over to the Roads and Buildings.

2.18 The ownership of approach roads in the lands owned by private / non-government entities rests with them even though the construction of these roads may have been taken up by the R&B Department. Examples of such work include approach road laid for Rajiv Gandhi International Airport, Samshabad, Hyderabad.

2.19 In 1962, the Department of Roads & Buildings owned nearly 438 lakh sq. ft in terms of buildings that belonged to all the departments. With the division of the department, area of buildings under the ownership of R&B department has come down to 99 lakh sq. ft. Departments like Health, Medical and Family Welfare, Police and Education etc. have taken over the land allocated to them and are the current owners of the land and buildings. The construction and maintenance is the responsibility of the departments. The department maintained a complete land register and building register with details and guidelines till 1986, but the practice does not exist anymore.

2.20 The Private Public Partnership model is popular in development of roads. A brief profile of the legal structure and models are as following:

2.21 The AP Road Development Corporation (APRDC) was established in the year 1998 through the Act, No.1 dated 2nd January 1998 with an objective of 'Development and Maintenance of Roads in the State of Andhra Pradesh and other allied and incidental activities there to'. APRDC is responsible for:

- Maintenance and Management of 11,118 km of high traffic core net work roads;

- Development and Up-gradation works of the State Road network under PPP, BOT and Annuity pattern; and

- Preparation of detailed project reports and implementation of externally aided projects;

2.22 Majority of the funding for road projects with APRDC flows from:

- Budgetary allocation from Government of Andhra Pradesh

- Loan assistance from multilateral and international agencies viz. ADB, World Bank & JBIC and other overseas agencies.

- Private sector participation i.e. on Build, Operate and Transfer (BOT) basis with involvement of private sector agencies with concession period up to 30 years and the road being transferred to APRDC after the concession period. Various PPP models like Annuity, Design-Build-Finance-Operate (DBFO), etc. also are used for better leveraging of funds.

2.23 AP Road Sector Project (APRSP) was floated with the loan assistance of World Bank for improvement and better management of the roads. Projects under this scheme include:

- Up-gradation and Improvement (2 lanes and 4 lanes) 600 Km;

- Widening of Roads to 4 lanes under Public Private Partnership (PPP) 1252 Km (Divided carriageway);

- Long Term Performance Based Maintenance Contract (LTPBMC) 6523 Km; and

- Roads proposed under PPP for four lane (Selected based on traffic intensity, connectivity and IRR) for a total of 1252 Km

Department of Health

2.24 Department of health has several sub-divisions within it. Major divisions of this department include:
    i. Department of Health
    ii. Department of Medical Education
    iii. Commissioner of Family Welfare
    iv. A.P. Vaidya Vidhan Parishad
    v. A.P. Health Medical and Housing Infrastructure Development Corporation
    vi. APSACS
    vii. Drug Control Authority
    viii. Institute of preventive Medicine
    ix. Department of Indian Systems of Medicine

2.25 The assets held by the department of Health fall under the following categories:

- land and buildings;

- chain of cold storages and refrigerated vans for distribution of vaccines;

- vehicles including fleet of over 500 ambulances under Private Public Partnership under the control of the department; and

- medical equipment held by various hospitals and medical teaching institutes.

State Road Transport Department (Office Transport Commissioner)

2.26   State Road Transport Department has similarities with Department of Commercial Taxes. Both are revenue earning departments and have similar types of assets viz. buildings and IT assets.

Chapter 3
Asset Register Framework Policy

3.1 Policies reflect management's intentions. They are statements of what management wants done. While the general practice is to have policy document, some countries (e.g. Republic of South Africa) have passed legislation in this respect. An illustrative list of aspects covered by an assets policy is given below:

- Definition of assets
- Categorization of assets
- Single vs. component approaches
- Capitalization criteria (threshold limit and associated costs)
- What constitutes additions to assets
- Numbering, coding and tagging of assets
- Custodial responsibilities
- Valuation
- Depreciation
- Jointly owned assets
- Leased assets
- Transfer of assets
- Disposal of assets

3.2 Not all the policies need to be put in place in the beginning as some of them evolve and would be improved over a period of time. Since policies are going to have impact on structure and contents of asset register, a well thought out policy is considered to be pre-requisite for preparation of asset register. Polices also help in designing appropriate organization structure. For example, centralized procurement policy would need a different organization structure from decentralized one.

3.3 Procedures should deal with the administrative aspects of management of assets right from planning, budgeting to acquisition and follow-up. In case of bigger projects advanced planning and project management should be observed. Roles and responsibilities should be clearly defined and information needs to review the project time to time should be put in place.

3.4 A suggested policy framework is given below which can be suitably modified and adopted by the government.

Model Asset Register Framework Policy

Policy Objective

1. a) The objective of asset management policy is to establish uniform systems for gathering and maintaining asset information in order to provide control and accountability over assets held by various departments of Andhra Pradesh. While departments may decide to maintain additional information / control in respect of assets held by them, they should adhere to policies laid down as a minimum required standard.

   b) The immediate objective of Asset Register Framework policy is to create a physical inventory of all assets owned by the state government departments in an asset register. It is proposed to move to a 'valued' asset register in the medium term. Once such an asset register is fully and well established, it would prepare ground for the state to consider switching over to resource based / accrual based accounting system, which is the ultimate goal.

   c) The Asset register Framework and the policies given below do not deal with procurement of assets although asset life cycle begins with procurement.

Implementing Agency

2. There shall be an Assets Management Cell (AMC) located in the Finance Department under direct charge of a Deputy Secretary. The AMC shall be responsible for maintaining and updating the asset management policy. It shall monitor implementation of the policy and guide departments as required. It shall lay down procedures, forms, etc. to give effect to these policies.

AMC Website /portal

3. AMC shall maintain a website for maintaining state wide asset register and for dissemination of information on asset policies.

Applicability

4. This policy applies to all departments of Government of Andhra Pradesh. All offices of the State Government shall ensure that the policy is implemented effectively. They shall maintain records in stipulated format and furnish information on all assets held by them to the Assets Management Cell in the formats prescribed by the latter.

Custodial responsibilities

5. Responsibility for protecting and controlling the use of assets rests with the head of office holding the charge of the assets. While it may be easy to determine the 'charge' in case of assets lying physically within the premises of the concerned office (e.g. furniture, equipment, vehicles, etc.), for

infrastructure assets the head of department may determine the custodian based on responsibility for maintenance, and other relevant factors.

Accounting for Assets

6. Under the present cash based accounting system, expenditure on acquisition of assets is treated as revenue (current) expenditure. While for accounting purposes the same practice may be followed, the expenditure (cost) may be recorded in the asset register for valuation purposes.

Definition of assets

7. An asset is defined as any financial resource meeting all of the following criteria:

    a. It is tangible in nature.

    b. It is owned / controlled by the government.

    c. It has a useful life that extends beyond one year.

    d. It is employed to deliver services (thus giving economic benefit).

    e. It is not a repair part or an item for sale (stock in trade).

    f. It has value greater than capitalization threshold value with the exception of
        protected assets.

Assets for the purpose of asset register shall include – fixed assets, movable assets, immovable assets, capital assets, tangible assets and infrastructure assets, but shall exclude intangible assets (such as copy rights, trade marks, patents, etc.), heritage assets and works of art and land (other than owned by the departments) and natural resources.

Classification of assets

8. Assets shall be classified as below:

    - Land
    - Buildings
    - Improvements other than buildings
    - Infrastructure assets

        Roadways,

        Bridges

        Water and Sewer systems

        Electrical and Transmission networks

        Communication networks

    - Plant and Machinery
    - Vehicles

- Office Furniture

- Office Equipment

Assets shall be codified according to prescribed system based on above classification so that when the asset register is aggregated at the state level it would be possible to obtain information about various types of assets by querying on asset code.

Asset Codification Handbook shall be maintained by Asset Management Cell.

Protected assets

9. Protected assets are those assets which though below the threshold limit are nonetheless 'capitalized' (entered in asset register) for control purpose because they are prone to theft owing to their attractiveness, portability and usefulness outside the office. The following items of are considered as protected assets and shall be treated as assets.

- Communications Equipment, both Audio and Video; (projectors, mobile phones)
- Laboratory equipment, optical devices, microscopes, etc.
- Cameras and Photographic Projection Equipment;
- Microcomputer Systems, Laptop and Notebook Computers;
- Other data processing Accessory Equipment and Components (Scanners, Data Displays, etc.);
- Office Equipment like fax machines;
- Record Players, Radios, Television Sets, Tape Recorders, VCRs, and Video Cameras;

Single asset vs. composite asset

10. It is a matter of judgment whether to treat an asset as a single asset or to record its components as individual assets in their own right. For instance, a water works plant may be treated as one asset or its components viz. the pipelines, tunnels, reservoirs, tanks, pumps, etc. may be taken as assets in their own right. The criteria to be applied would be: a) whether individual components have varying useful life periods and would need replacement at different intervals, in which case it would be better to track them individually; b) whether the benefit from identifying and maintaining individual asset details would be commensurate with cost and effort involved. The concerned department may lay down the treatment in respect of such assets in consultation with Asset Management Cell so that there is consistency in treatment from year to year.

Valuation

11. As for assets already in use which are being inventoried, their value wherever readily available may be recorded in the asset register. However, where it requires technical estimation, this would be done based on orders issued

separately on valuation methodology in an exercise that will be undertaken separately. The first priority is *to enumerate all assets,* with value if readily available or without value if it involves technical estimation.

Costs to be included – newly acquired asset

12   All expenses incurred to bring the asset into operation should be included in the asset value. In case of land, costs would include registration fees, stamp fees, etc. For buildings all expenses on construction including any fee for architects and legal advice should be included. Cost of plant and machinery would include freight and handling charges, insurance, customs and other duties, installation and trial runs charges, any civil works such as platform or other supporting structure required to keep the machinery / equipment and so on.

Capitalization threshold for asset enumeration

13.   All immovable properties including infrastructure assets with value more than Rs. 100,000 and all movable assets (other than 'Group Assets') with value more than Rs. 10,000 shall be included in the asset register (that is, capitalized). For assets where historical cost is not available (which would be the case for a majority of office furniture and equipment) their value at acquisition / construction may be technically estimated for the purpose of capitalization.

The above threshold limit of Rs 10,000 shall not apply to 'protected assets'.

The threshold limits shall be applied to an aggregation, not as individual assets, in case of 'Group Assets'.

A monetary (or other) threshold may also be applied to betterments. For example, it may be decided to recognize any modification or enhancement that increases capacity or efficiency by more than 10 percent.

Depreciation

14.   There shall be no depreciation charged until the state government switches over to an accrual based system.

Identifying and Tagging Assets

15.   Mark / tag all movable assets upon their receipt to identify them as belonging to the department and in order to:

- facilitate accounting for the asset;
- aid in its identification if the asset is lost or stolen; and
- discourage theft.

    The identification number shall be as per the coding system adopted by the government.

Place of marking identification

16.   It is a good practice to standardize place marking identifications. Standardization facilitates process of physical verification; staff would know the place to look during physical verification. Asset Management Cell may standardize place of marking identifications and publish the same asset class wise. The identification and control number should be located on the principal body of the asset, generally not exposed during the use of the asset, rather than a removable part.

17.   Assets that already bear permanent serial number (such as vehicles) shall also be tagged with standard asset codes in order to maintain uniformity and ease in identifying assets.

18.   Group assets (say, number of plastic chairs in a conference hall) need not be tagged individually, but they may carry some marking to establish ownership and discourage theft.

When not to mark an asset

19.   Sometimes, it would be impractical or impossible to mark some assets. For example, it is not required to tag / mark if the asset:

- is immovable (such as land, infrastructure, buildings);
- would lose significant historical or resale value by being tagged; or
- would have its warranty negatively impacted by being permanently marked;

In these cases, the identification tag is not required, and the department may apply alternative procedure to identify such assets.

Inventory tags and labels

20.   Departments shall procure inventory tags or labels. Responsibility for controlling asset control numbers rests with the department. Departments are to ensure that adequate controls for safeguarding unused, mutilated, and voided asset inventory tags.

Asset register

21.   All assets that qualify capitalization thresholds must be entered in the departmental asset register. Similarly, group assets that qualify capitalization threshold shall be inventoried as a group. All protected assets shall be inventoried regardless of capitalization threshold. In addition to departmental asset register, there shall be a State Asset Register for all fixed and infrastructural assets. AMC shall maintain the State Asset Register.

Additions to asset inventory

22.   The head of office is responsible for supervising the addition of an asset to the asset register upon its receipt and acceptance. This includes assigning responsibilities to specific individuals for tagging and ensuring that the necessary information is entered in the department's asset register.

Capitalization of costs incurred subsequent to acquisition

23.   After assets are acquired and are put to use, additional costs are incurred that range from ordinary repairs to significant additions or betterments. Any expenditure that results in greater future benefits should be capitalized whereas any expenditure that simply maintains the existing service level or capacity should be expensed. Any expenses that are below capitalization threshold should be expensed. The service potential may be considered enhanced:

- where there is an increase in the previously assessed physical output or service capacity;

- where associated operating costs are lowered;

- the useful life of the property is extended; or

- the quality of the output is improved.

To illustrate, construction of additional rooms in the old building should be capitalized as additional rooms enhance the capacity of the building.

Transfer of asset from one department to another

24.   Whenever an asset is transferred from one office to another within the same department or of another department, suitable note should be made in the asset register and a copy of handing over / taking over of asset retained by both the receiving and transferring offices.

Transfer of assets to a government body (corporation / company / society)

25.   When assets are transferred by a government department to a body under its administrative control, proper record should be maintained of such transfer in the asset register. The assets should be properly identified, handed over and taken over by the department and the body. The department should ensure follow up action to enforce any conditions that are attached to transfer (such as issue of equivalent value equity shares in the company).

Utilization of assets

26.   One of the important objectives of asset register is to enable efficient utilization of assets by government departments. It is not uncommon that valuable assets are sometimes unutilized due to the asset being not commissioned or being in disrepair. This results in the public service being adversely affected besides loss of valuable resources. Therefore, it is suggested that the condition of asset with respect to its utilization should be

captured during annual physical verification and a report on such unutilized and underutilized assets submitted to the Head of Department for necessary action.

Disposal of Assets

27. Disposal of assets shall be as per the guidelines provided in A.P. Financial Code. Unserviceable assets should be disposed off in an economical, legal and transparent manner. Assets may be disposed of because they are:

- **unserviceable:** Condition of assets where cost of repairing is not an economical option;

- **obsolete:** Assets rendered useless due to change in technology which may include incompatibility of old assets with new products or output of asset not being accepted by the end user or use of asset is not economical;

- **surplus:** Asset not being in use or likely to be of use in near future;

- **abandoned:** assets confiscated by revenue authorities, police, other institution or assets for which owners could not be identified, or owners fail to establish legal title. As such assets do not belong to these institutions, they would not find place in their Assets Register; all the same, their disposal should be handled in the same manner as disposal of other assets.

Disposal Committee

28. A disposal committee may be set up by the head of department or head of office to oversee the process of disposal of assets. As carrying unproductive assets takes up valuable office space, the disposal committee should comprehensively review the stock to identify unserviceable, obsolete and surplus assets, decide reserve price and appropriate method of disposal, etc.

29. Assets should be bunched up in order to expedite the process and reduce transaction costs. Generally, assets are accumulated for a certain period to make for a reasonable quantity before they are disposed. Assets that pose environmental risks shall not be accumulated. Suggestive precautions to be taken include:

- Official documents that may be misused;

- Licensed products like software should be uninstalled before disposal;

- Information in whatever forms should be destroyed – for e.g. hard disks of computers should be formatted (all contents deleted) before being disposed off.

- Hazardous material should be disposed of in the prescribed manner.

- The department proposing to dispose off an asset shall notify them to other departments through the AMC website. In case, any other department has the need for those assets it can seek their transfer.

Methods of Disposal

30. Before disposing of surplus assets, it is a good practice to check if some other departments can use such assets. It should also be considered if the asset has some heritage value. Generally, the following methods are adopted:

- **Public Auction:** This is sale of assets by competitive bidding. Reserve price as decided by the appropriate authority shall be announced in the auction and assets are disposed off in favour of highest bidder. This is used generally in case of high-volume and low-value assets. There are government approved auctioneers; it is advisable to use such auctioneers.

- **Public Tender:** This method is generally used for high-value and unusual items. The department should follow transparent method in disposal. Highest bid shall be accepted for disposal

- **Sale as scrap:** When low value items can not be sold individually, they shall be accumulated as scrap and sold as scrap.

Salvage value of disposables

31. As book value does not reflect the residual / salvage value, the Disposal Committee may take assistance of specialized expert bodies or enterprises. Committee shall consider current market value, age and condition of the asset, previous auction results, etc. in deciding the current market value.

Taking Physical Inventory

32. Each head office shall ensure that all assets for which he is the custodian are physically verified at least once every year except as noted below.

- Due to the stationary nature of certain assets (such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements), physical inventory every year is not required. Departments may conduct their assets inventory on a revolving basis if both of the following conditions are met:

- Every item is subject to a physical count or verification at least once every other year; and

- The inventory program is documented and active.

Physical verification

33. In order to ensure objective reporting of inventory items, personnel having no direct responsibility for custody and receipt / issue of assets should perform

the physical verification. If it is not feasible to use such personnel for a part of the inventory, then those portions should at least be tested and verified by a person without direct responsibility for that portion of the inventory. Departments are encouraged to exchange and use personnel from other departments to perform their inventory, if possible.

34. If assets are too many, sample verification may be carried out by the following methods:

    a. Take a sample from newly acquired assets and check them in the Asset Register (if AR is maintained properly, the asset should figure in the Register);

    b. Take a sample from assets disposed of during the year and verify the same in the Asset Register (the disposal should have been noted in the AR);

    c. Randomly select a few assets in the entity and verify their records in the Asset Register; and

    d. Similarly, randomly select a few assets in Asset register and verify their physical availability in the office.

35. Complete check of newly acquired and disposed assets as given in a) and b) above may be done so as to ensure the completeness and integrity of the Asset register.

Physical inventory instructions

36. Written physical inventory instructions must be distributed to each person participating in the inventory process. The instructions should describe:

    • How and where to record each item,

    • What information to record,

    • How to seek clarification on instructions issued,

    • What procedures to follow when they finish their assignments,

    • What procedures to follow when equipment is located but not listed,

    • The procedure by which the person counting the assets attests to the accuracy of the count, such as by signing his or her name at the bottom of each inventory page, or signing a cover page for a group of pages sorted by another method (batches, location, equipment type, etc.), and

    • How to record assets not being used or in an obviously unserviceable condition. Such information is to be used to schedule repair or disposition of such assets.

Retaining physical inventory records

37.   The certification, together with the reconciliation and the inventory listing, serves to support the inventory balance and for accounting adjustments, if any, and must be retained by the department. The department should retain this documentation in accordance with the approved department records retention schedules. At a minimum the asset records must be retained until after the next annual audit.

Write off of assets

38.   There may be cases where the assets on physical verification may be found to be less than what they are as per the asset register. Depending the value and sensitivity, the head of office should have the matter properly investigated and seek the sanction of competent authority (as per delegation of powers) to write off the asset (delete the item from the asset register)

Clarifications regarding policies

39.   All doubts regarding asset management policies should be referred to AMC for clarification. Until AMC clarifies the matter, individual departments may not unilaterally take any action that would amount to modification of a given policy. AMC after due consideration of points raised regarding a policy matter should issue a clarification which shall be posted on its website for information to all users.

Asset Manual

40.   AMC shall prepare an asset manual for guidance on preparing and maintaining asset register.
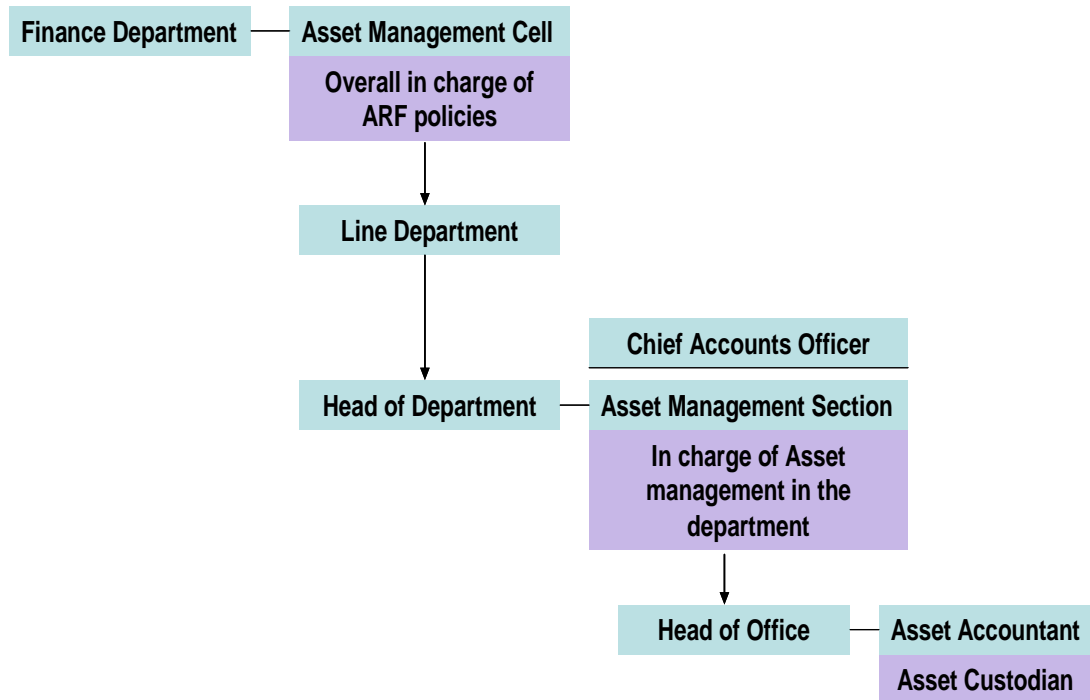
Chapter 4

Organizational Framework for asset management

4.1   One of the key decisions in deciding organizational policies is whether to have centralized asset management or decentralized one. While centralized administration offers benefits such as better price negotiation, better maintenance and servicing, it could entail weak supervision and delay in decision making. Advantages of decentralization include faster decision and better accountability as people responsible for asset management would be those who use assets.

4.2   Good organizational framework for asset management is an indicator of commitment towards the objective. Whether to pass a separate enactment or constitute the framework through as an administrative measure is the major decision by itself.

Suggested Organization Structure for GOAP

4.3   Asset management is an area of specialization and requires dedicated organizational resources to monitor. While well structured organizational setup exists in Government of Andhra Pradesh for certain infrastructure assets like roads, irrigation assets, etc, limited functional responsibilities are discharged by entities like APTS Limited and APHMHIDC. These are dedicated entities responsible for procurement of IT assets and medical infrastructure respectively, but are not responsible for subsequent asset management processes. Formal organizational structure supported by polices and procedures are required for better asset management. There is also a school of thought that propagates that Asset Management Framework needs to be rolled out as a culture change, wherein it is everyone's responsibility in the organization to know and understand what is expected of them for better asset management of the organization. However, this is considered more as a HR perspective of asset management and hence not discussed here. The attempt here is to define a suitable organizational framework along with unambiguous definition of roles and responsibilities i.e. who is responsible for which activity, number of routines to be established, etc.

4.4   Asset management would normally embrace the entire asset life cycle from its acquisition to disposal. As for procurement of assets either through purchase or construction, the procedures are already laid down in AP Finance Code, PW Code, etc. Infrastructure assets are created through construction following detailed budgetary, expenditure control and accounting procedures laid down in various codes. <u>The present asset register framework does not therefore deal with procurement of assets.</u>

Organization Framework for Asset Management

| Finance Department — Asset Management Cell |

Overall in charge of ARF policies

↓

Line Department

↓

Chief Accounts Officer

| Head of Department — Asset Management Section |

In charge of Asset management in the department

↓

| Head of Office — Asset Accountant |

Asset Custodian

Asset Management Cell

4.5 A dedicated Assets Management Cell (AMC) should be created in Finance Department. AMC shall pool requisite expertise from various departments for an effective asset management. Functions of AMC shall include:

- Preparation of an asset manual based on the asset register policies and framework set out in this report and its maintenance.

- Oversee implementation of polices in respect of various assets;

- Develop procedures and guidelines for implementation of the policy;

- Develop uniform codification manual for the state and oversee implementation by various departments;

- Adopt Accounting Standards promulgated Government Accounting Standards Board in so far as they relate to asset accounting / valuation;

- Develop or acquire software for management of governments assets / asset register;

- Facilitate effective tagging systems or technology and related processes/ procedures in accordance with best practices followed all over the world;

- Facilitate effective location identifier systems or technology and related processes/ procedures in accordance with best practices followed all over the world; and

- Organize internal audit periodically to monitor the effectiveness of implementation asset register polices and procedure;

Custodian of Title Deeds

4.6   Government may not possess documents establishing ownership in case of for majority of its assets. Government may need to establish legal title for its assets through an appropriate legal process. In respect of assets held by various departments, the head of department shall hold the title deeds.

Secretariat Department

4.7   The role of Principal Secretary in charge of Secretariat Department shall be one of taking overall responsibility for asset management within the department. S/he shall monitor the department's compliance with the asset management policies and periodically call for reports from heads of department and review asset utilization, asset maintenance, etc. As the overall in charge of the department's budget, s/he will be in a position to take advantage of the information provided in the asset register for determining the requirement of capital and maintenance budgets.

Departmental Heads

4.8   Head of Departments should asses what types of assets are handled and who should manage them and review the arrangements periodically. They should clearly specify responsibilities for asset maintenance, and, if appropriate, include them as part of job description. When a new asset is acquired training and maintenance, operational and MIS needs should be established. The head of office where the asset is located and used should be made responsible for its custody. A.P. Financial Code has list of functions to be discharged which may be considered as the responsibility of heads of the department. All provisions which are applicable to 'stores' appear to hold good for management of assets.

a. public servant to enforce contracts entered into with the vendors (Article 51)

b. properly maintain stock registers (Article 135)

c. conduct physical verification at least once in a year (Article 143)

d. inspect assets to ascertain to check their physical condition and to take appropriate action (Article 139)

e. properly deal with unserviceable assets (Article 140 and 141)

f. investigate cases of discrepancies (Article 145)

g. audit assets (Article 146)

4.9   The above stipulations apply to 'Store' as defined in A.P. Financial Code. The entire proviso with minor modifications as applicable to assets shall be the responsibility of heads of the departments. Departmental heads shall ensure proper segregation of duties in achieving effective asset management.

Departmental Asset Management Section

4.10   Each Department should have an asset management section. To begin with a few persons (taken from accounts and technical disciplines) should be identified to discharge the responsibilities of AMS, which shall be same as the AMC in Finance Department except that the AMS would be responsible for these tasks for the department alone. Head of Asset Management Section should report to Chief Accounts Officer where existing or else a senior officer designated by the HoD.

Head of Office - Asset Custodian

4.11   Responsibility for management of assets should be assigned to those who are able to influence the level of their usage. In most case this will be the head of office where the asset is located (in case of movable assets) or where asset is used or maintained. Countries, which have adopted resource based accounting, have entrusted financial management of the department to heads of the departments. For example, Section 33 of Public Finance Act of New Zealand makes departmental Chief Executives responsible for the financial management and performance of their departments. Responsibilities of asset custodian shall include:

a) Monitoring control over the physical assets;

b) Effective utilization of asset (ideally this should be part of performance appraisal);

c) Ensuring periodical physical verification to ensure that physical count of assets tally with recorded count;

d) New assets are verified, accepted/rejected, register updated, inventory tags attached;

e) Compliance with legal procedures e.g., getting new vehicles registered;

f) Monitoring maintenance schedule; and

g) Need analysis for new assets.

Asset Accountant

4.12   In each office one of the Accountants may be specifically entrusted the responsibility of asset management. In bigger offices, this may be a full-time function, but normally this responsibility may be treated as an additional task of one of the accountants. Responsibilities of asset accountant shall include:

•   Codification of assets as per State Codification Method;

- Maintenance of Asset Register;
- Maintenance of asset utilization system and appraisal of low usage and productivity to management; and
- Preservation of Title deeds.

Role of Internal Audit

4.13   *Verification of documents*: Verification of documents would involve vouching the asset life cycle management i.e., acquisition of assets, improvements to existing assets and adherence to procedures laid down for the same. Ownership of assets like land and buildings should be verified with title deeds. Auditor shall verify if the retirement has been properly authorized and procedures laid down have been adhered to.

4.14   *Physical verification of assets*: Ensure annual verification of assets take place in the department. Auditor may either participate in physical verification along with department team or conduct sample verification of assets. Physical verification exercise would also entail condition assessment and verification of whether periodical disposal of assets is taking place as stipulated or not. (Some of the assets ignore disposal of assets resulting in pile up of un-used assets).

4.15   In case of lapses in controls auditors may suggest improvement in the system. The suggestions made by the auditor shall be considered by AMC and suitable instructions are issued.

Valuation committee

4.16   Valuation Committee shall be constituted as a part of AMC to address technical issues in valuation. Valuation Committee shall have technical experts from various departments of the State Government or external consultants or a mix of both. Terms of reference for valuation committee for the purpose of incorporating value of assets may be as follows:

- Ensure compliance with valuation methods suggested by AMC; and

- In case of assets where valuation methods are not suggested in the manual, provide technical guidance for valuation and oversee implementation of the same.

4.17   Though valuation is not an immediate priority *(valuation process starts after completing enumeration of assets)*, constituting committee would help in vetting the enumeration guidelines from valuation perspective. Valuation of assets is important from two standpoints; one is to update assets register and second is to have value at the time of disposal of asset as fair estimate need to be given as starting point for auctions. Under estimation of value does not result in cash loss while updating assets register, but may result in loss in case of disposal of asset.

Chapter 5

Definition of assets and rules for inclusion and exclusion

Definition of Assets

Assets are defined by Public Sector Accounting Handbook as *'economic resources <u>controlled</u> by a government department as a result of past transactions or events and from which <u>economic benefits may be obtained</u> (PS 1000.35).'*

Further*, (non-financial) assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:*

a. *are normally employed to deliver government services;*

b. *may be consumed in the normal course of operations; and*

c. *are not for sale in the normal course of operations. (PS 1000.42)*

Tangible capital assets are non-financial assets having physical substance that:

a. *are held for use in the production of goods and services, for administrative purposes or for the development, construction, maintenance or repair of other capital assets;*

b. *have useful economic lives extending beyond an accounting period;*

c. *are used on a continuing basis; and*

d. *are not for sale in the ordinary course of operations.*

GASB Statement 34 defines Capital Asset as 'Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operation and that have initial useful lives extending beyond a single reporting period.'

5.1 It is seen that various terms are used while discussing assets viz. fixed assets, capital assets, physical assets, tangible assets, tangible capital assets, infrastructure assets, long lived assets, movable assets, immovable assets, financial assets, non-financial assets, heritage assets, and so on.

Definition of Assets for Asset Register Framework

5.2 For the purpose of this project, the term assets is proposed to be used to mean all assets whether movable or immovable; the immovable assets would include tangible capital assets and infrastructure assets. The assets register framework does not cover financial assets such as investments and intangible assets such

as copy rights, patents, etc. Essentially, assets (the term as used in this report) have the following characteristics:

i. They have a useful life beyond an accounting period;
ii. They are not items of stores meant for consumption such as stationery, spares, etc.
iii. They are normally employed for delivering government services;
iv. They have a value above a predetermined threshold value;
v. They are controlled / owned by the entity / government; and
vi. They include movable and immovable assets.

One of the attributes of the term asset is that it is 'controlled' by the entity. Control of asset is usually evidence by an entity's:

- ability to use the asset to achieve its objectives;

- ability to restrict or change access to the asset;

- ability to surrender the asset to another entity;

- ability to dispose of the asset; or

- obligation to bear the risks associated with holding the asset.

A broad category of assets generally held by Government Departments include:

Category	Description
Land	Land alienated by Revenue Department in favor of other departments for construction of Buildings and to discharge other functional requirements like growing horticulture nurseries, police training camps etc.
Buildings – Residential, non-residential and industrial	Purchase or construction of houses for residential use including dormitories, government quarters, transit accommodations; offices and buildings for industrial purposes
Improvements other than buildings	Easements, embankments, retaining walls, etc.
Infrastructure	Roads, Dams, Culverts and Bridges
Vehicles	Two wheelers, Light and Heavy Motor Vehicles
Office Furniture	Tables, chairs and all other interior
Office Equipment	Computers, type writers, photo copiers, calculators, fax machines, telephones etc
Plant & Machinery	Specialized equipment of departments

Rule 1: Record of controlled / portable assets to be maintained

5.3   Some assets though below the threshold value are still considered as assets due to the fact that they have use outside the office and are prone to be stolen or misused. They include computers, computer peripherals, scanners, PDAs, mobile phones, fax machines, furniture and fittings, etc.

Rule 2: Confiscated assets awaiting disposal not part of ARF

5.4   Similarly government in the course of administering various laws takes / gains possession of assets, such as, confiscated stolen property, assets under dispute pending settlement, and so on. They do not meet the requirement of asset definition that an asset is used for delivering a public service; therefore, such items are not included in the asset register. Moreover, they do not also strictly speaking belong to the government.

Rule 3: Government land, forests and other natural resources and library books excluded from ARF

5.5   Adopting a definition of fixed assets and understanding their attributes is easier than applying it to the government. Government assets include a wide range of assets like land, buildings, equipment, vehicles, roads, canals, culverts, heritage structures, works of art and natural resources like forests, mines, etc. While some of them fit into to the definition of normal understanding of an asset, some like roads, culverts, cemetery, etc. are of typical only to governments. Similarly, some of the assets are 'acquired' by government departments while some are 'entrusted' for safe custody.

5.6   Generally, departments that are entrusted with the job of safeguarding specific assets (especially natural resources) are governed by relevant legislation, rules and regulations. These assets are **not acquired** by them in course of their normal activities, but are entrusted to them. Examples include land under the custody of revenue department and forest resources under the custody of forest department. In considering whether to include these assets within the scope of the project, some international practices may be considered. Even in countries where resource based accounting is followed, these assets are treated separate from **acquired assets**. As per the Public Finance Act 1989 of New Zealand[2], one of the first countries to adopt resource based accounting, the Crown and departmental assets are distinguished. A department may be associated with Crown assets in two ways: as an asset manager, or as the user of Crown asset. A department may manage assets on behalf of the Crown. These assets are controlled by the Crown and appear on the Crown's Balance Sheet.

5.7   Another perspective would be to see it from the standpoint of the existing framework for controlling and maintaining these assets. Land is an asset for which some kind of control framework always existed from the bygone ages. Government of Andhra Pradesh has a dedicated department i.e. the Revenue Department which controls this asset. The official web site of Revenue Department lists more than 80 Acts that govern functioning of the department. The department has well-structured manpower headed by Chief Commissioner of Land Administration, assisted by several senior IAS

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[2] *A guide to the management of fixed assets issued by Treasury Department, New Zealand*

officers. Role and responsibilities up to the village assistant level are well defined and legally recognized. The Department maintains mandatory registers like Darksat Register (Register-4), Relinquishment Register (Register-5), transfer of patta cases referred by Registration Department (Register-6A), transfer of patta land as reported by village officer (Register-6B), Register of change of classification (Register-7), Register of sub-divisions (Register–8A), State Land Register of Government Lands, Surplus Land Registers, etc.. Physical verification process in the form of Jamabandhi is followed. Survey systems are standardized. Various key processes like land transfer; alienation, registration and mutation are well defined and computerized. While Land controlled by the Revenue Department shall be excluded from the AR, Endowment lands shall be included in the asset register since the Department holds the right to dispose off these lands. Similarly, Waqf lands which are already being enumerated by the Waqf Board shall also be included in the AR.

5.8   Forest department has well defined organization structure to monitor forest land and is governed by Forest Act and regulations. Detailed guidelines have been laid down in Field Manual for Forest Inventory published in 2006. Coverage of this manual includes mapping, sampling and analysis of present inventory with use of geometrics. Mapping vegetation including herbs, shrubs, and climbers along with trees are dealt with in the manual. Inventory includes non-timber forest produce, trees and medicinal plants. It also provides coding and measurement of trees by diameter and height based on the species. While natural forests can be excluded from the asset register, commercial forests and plantation may be included in the AR.

5.9   Irrigation department, on the other hand, is engaged in both safeguarding natural resources as well as constructing new assets. Some natural resources like lakes and rivers are natural formation, whereas dams and canals are constructed. Irrigation Department requires special focus while preparing the asset register since the issue of the acquired yet unused land, treatment of the heavy machinery, etc. require deliberation.

5.10   In view of the foregoing, it is proposed to exclude assets whose safe custody is entrusted to specific department and governed by specific legislation, rules, regulations and standards. Thus assets under the custody of Revenue Department, Forest Department and natural resources such as rivers, minerals, etc. shall be outside the ambit of definition of asset for the purpose of asset register framework. Also for security reasons, assets of some departments may be excluded from the asset register. Library books being subject to separate set of controls, they are generally not included in the asset register of any organization.

5.11   The primary objective of the asset register is to provide a control framework for assets. This involves providing guidelines to department to monitor assets

acquired / constructed by them. In that sense, this project is an extension of G.O. 667 issued earlier. Accordingly, assets acquired to carry out the operations of the department, for which registers, formats, methods for measurement etc. are not prescribed by any Act or regulation shall fall within the scope of asset register framework.

Rule 4: Infrastructure assets to be included in the ARF

5.12   All infrastructure assets would be part of the proposed asset register framework.

5.13   Infrastructure assets are defined as *'Long lived capital assets that normally are stationery in nature and normally can be preserved for a significantly greater number of years than most capital assets.'* Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

5.14   Some of the characteristic features of these assets are:

- they do not, generally, yield directly measurable economic benefits;

- they are of value only to government, do not have market value and can not be sold;

- while assets are generally assumed to be accessed and used by owner or authorized persons, infrastructure assets are generally used by public; and

- they require comprehensive maintenance, failing which it may result in failure of government to discharge its duty leading to liability to government.

5.15   Merits of considering infrastructure assets in asset register are:

- These assets are generally of great monetary and social value;

- Assured maintenance of these assets (which includes safety, health and legal standards) improve confidence of citizens on stewardship of government; and

- It helps in preparing estimates of capital and maintenance expenditure budgeting and debt management.

5.16   After considerable debate, GASB 34 which defined these assets as separate category under the head "immovable assets of value only to government" clarified the issues. Essentially, it asserts that:

- infrastructure assets need to be inventoried; and

- there is no need for making provision for depreciation if the government makes a commitment to maintain them at a specified level for which there should be arrangements for regular assessment of the condition of the assets.

5.17   As provision for depreciation is not contemplated under the existing cash based system of accounting, the above issue does not arise. However, as and when the government decides to switch over to accrual based accounting this point may be kept in view.

Rule 5: Assets of sponsored bodies excluded

5.18   GoAP has sponsored a number of entities which are autonomous in their day to day functioning but work under the overall direction of the concerned administrative department of the government. They implement programmes of the government and thus are the instrumentalities of government. In order to provide them with necessary autonomy they are either registered as societies under Societies Registration Act (e.g. Andhra Pradesh Health, Medical Housing and Infrastructure Development Corporation) or created under a specific Act of the legislature (e.g. AP Vaidya Vidhana Parishad) or incorporated as government companies (e.g. AP State Housing Corporation, AP Industrial and Infrastructure Corporation, etc.). The autonomous bodies under the state government, irrespective of the laws under which they are incorporated, prepare own financial statements in which the entity's assets are reflected. The financial statements are certified by statutory auditors. Both these measures ensure adequate framework for control over these assets. Moreover, as these autonomous bodies are legal entities in their own right, their assets cannot be seen as owned / controlled by the government. Therefore, it is proposed not to include them in the state Asset Register Framework. *Even so, the administrative department must ensure that the non governmental bodies working under it should have proper asset management policy and, in the absence of their own formulated policy, they must adopt the asset register framework of the state.*

Rule 6: Apply base unit policy consistently

5.19   Some assets are assembly of various components. For example a water system has a main line, distribution lines, reservoir, water treatment plant etc. It is matter of policy whether the entire system should be taken as one asset or each component be recognized as a separate unit. Each component may be taken as an asset in its own right if their expected useful lives vary and individually their costs are material. In the above example the economic life of a reservoir would certainly be much longer than that of pipeline as wear and tear of the latter is far more. In such a case, it is recommended that each component be treated as an asset as it facilitates replacement of components without replacement of core asset. As per PS 3150 governments have choice whether to adopt base unit level accounting or asset level accounting.

5.20   The following factors influence decision regarding whether to adopt a base unit (composite asset) policy or a single asset policy:

- Ability to manage assets at such a micro level;

- Practical difficulties in setting capitalization thresholds at base unit level;

- Materiality of the base unit to justify separate record keeping and physical verification efforts;

- Sensitivity of components; and

- Control environment in the organization, etc.

5.21 Base unit needs to be maintained consistently and once decided changes would be difficult. Therefore, base unit should be a written policy (supported by procedures) which can be applied by different people uniformly in different periods of time. A trade off between costs and efforts needed to maintain the information and value derived out of it would be the guiding factor to arrive at the decision. It is not only cost of enumerating such assets but cost of maintaining the data like tracking movement of asset at base unit level needs to be considered.

5.22 Composite or base asset policy should be decided by the head of the department taking into account the above mentioned factors. However, if it is a type of asset that is used in many departments a uniform view may be taken by AMC and communicated to all. On the other hand, if it is an asset peculiar to one department, the HOD may decide the policy. Once it is decided to follow the composite (base) asset policy, it should be followed consistently.

Rule 7: Follow national standards where applicable

5.23 Assets with engineering specialization for which enumeration standards from accredited bodies exist would continue to follow the same. To illustrate, roads are classified into National Highways, State Highways, Major District Roads, Other District Roads, etc. by the Indian Road Congress. In such cases enumeration framework shall be aligned with existing standards to gather data fields that meet the control and accounting objective in safeguarding assets.

Rule 8: Software assets

5.24 Ready to use off-the-shelf software provides only a license to use some one else's product. Therefore, strictly speaking, software purchased from market cannot be considered as an asset of the entity. However, where software is developed by the entity either though in-house effort or through a contracted vendor and the ownership of source code vests with the entity, then such software may be treated as its own asset.

Rule 9: Include assets involved in Public Private Partnerships based on ownership

5.25　Private Public Partnership (PPP) refers to participation of private sector in delivery of services through a contractual agreement with government. While traditional model of Private Public Partnership has been participation of private entities in design and construction as per public agency's specification, current trend encourages private sector to offer expertise in technical, managerial and financial management.

5.26　In today's context, the word "Private Public Partnership" does not connote a fixed arrangement between government and a private entity, but is used for any scenario under which the private sector assumes a role in planning, financing, designing, construction, operation and maintenance of facilities in public service delivery. Several models of PPP have emerged with variations in ownership of assets, assumption of risks, responsibility for investment and duration. Some models of PPP and recognition of assets involved in asset register are discussed below.

Leased Assets

5.27　While in case of simple lease agreements, assets are leased out to private entity (which need not make large investments), in Build-Operate-Transfer or Rehabilitate-Operate-Transfer models, significant level of investment is needed to be made by private entities. In case of lease, the private party may earn revenues from user charges and pay a fixed fee as lease payment to government or share the revenues with the government. In both the cases, while operational risks are transferred to the private party, ownership risks lies with Government. Assets leased by government to private parties should be reflected in asset register.

Concessions

5.28　In this model, government grants specific rights to the private entity. Wide range of financial structures exists in this model. Government may or may not retain the ultimate ownership of the facility. Concessionaire may pay to government for concession rights or government may pay to the concessionaire as the project is not viable otherwise (especially in situations wherein private sector does not have enough confidence to undertake the venture). Concessions are of two types:

    a.　Franchise

    b.　BOT (Build-Operate-Transfer)

5.29　Under franchise agreement, the private party provides services defined in the franchise authority. Most popular projects under this scheme are providing urban bus services where certain routes are given out under franchise.

5.30   Under BOT (Build-Operate-Transfer), Build-Lease-Transfer (BLT), etc. the concessionaire undertakes investments and operates the facility for fixed period after which the ownership reverts back to the public sector. In other words, the operating and financial risks are transferred to concessionaire. As the ownership is retained by the government, though other risks are transferred, government still carries explicit and implicit risks that may arise due to loan guarantees provided and default of private parties on non-guaranteed loans. BOT is a popular PPP model wherein various port and road projects have been implemented.

5.31   The arrangements at the end of the contract term provide guidance on whether the assets should be classified as government owned asset. If at the end of PPP contract period, if the assets have significant residual value and ownership gets transferred or assumed by government, they should be considered as Government owned assets.

Government Guarantees

5.32   Cases where government guarantees debt, clauses of the contractual agreement need to be considered carefully to evaluate whether the project risk lies with Government. Even if the clause provides for guarantee, situations may suggest that the guarantee is not likely to be invoked. If the entire risk of the private party is covered by guarantee, project risk is deemed to be assumed by Government.

Joint Ventures through Special Purpose Vehicles

5.33   If the SPV is controlled by private sector, then assets can not be considered as Government owned assets. On the other hand if the SPV is controlled or directly created by government, the assets are considered to be Government owned assets

Government funded DBFO contracts

5.34   In DBFO contracts where the finance is directly by way of loan or equity by Government, assets will be classified as Government owned assets.

Capital Grants by Governments

5.35   Generally, grants provided by government will not be considered in deciding if the asset should be considered as government owned asset. However, PPP assets need to be reviewed if the capital cost of PPP is predominantly covered by government funding. Such an arrangement needs to be reviewed in totality considering the respective responsibilities of government and private sector.

5.36 The following criteria will be useful in determining whether the asset should be reflected in state asset register[3]:

a. The leased property is used to provide an essential service(e.g. road, utility systems, etc.) and the asset is so specialized that there is no alternative asset available;

b. The government contributes significant financial assistance (land, loan, guarantees, transfers, etc.) towards the cost of acquiring or constructing the property that it will lease.

c. The government bears costs and risks associated with the leased property that would normally be associated with ownership of property.

d. The government has significant control over the idle capacity of the leased property (e.g. although there is a potential for third party use of the asset, the government is able to restrict such use, whether or not it pays for the capacity).

e. The government bears residual risk or benefit of asset ownership.

f. The government is responsible for performance, availability and/ or maintenance of the property.

g. The government bears the business risk associated with the leased property (e.g. lease payments that fluctuate with specific indices such as interest rates).

h. The government assumes responsibility for construction risk (e.g. for pays for cost overruns or does not have use of the asset by the agreed date).

i. The government is obliged for the output / capacity whether or not it is needed.

j. The government is responsible for other potential risks of asset ownership including obsolescence, environment liability and uninsured damage or condemnation of the asset.

If the government is liable for any of the above risks it shows that it has leased an asset.

5.37 Wherever there is a doubt about whether the asset concerned should be reflected in the asset register, the Asset Management cell shall take a final view.

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[3] *' Guide to Accounting for and Reporting Tangible Capital Assets' - Public Sector Accounting Group of the Canadian Institute of Chartered Accountants (CICA)*

Chapter 6

Codification and Database Structure

6.1   A codification system to identify each asset with a unique number is the first step in effective asset management. Codification System serves four purposes viz. it enables a) identifying each asset with a unique number through its life cycle; b) tagging the movable assets with asset number to facilitate physical verification and discourage theft; c) collecting all related data about the asset in a database; and c) obtain information about an individual asset or a class of assets based on the asset code. In computerized systems, code is generally used as key field in asset database.

Asset Classification

6.2   Codification of assets requires the assets to be classified into some meaningful groups. Classification system should be designed in such a way that it produces consistent coding of similar assets when applied by different people in different periods. Assets are broadly classified under land, buildings, infrastructure assets, plant and machinery, vehicles, office furniture and equipment, and so on. Under some of them, there would further types, such as under infrastructure assets there would be roads, bridges, water & sewer systems, etc. It is possible to have a three tier classification of assets into asset group (infrastructure), asset type (roads) and asset name (National Highway). However, it is felt that a flat structure of classification which provides the gradation where required is considered easier to manage in the long run. Accordingly, the following structure is suggested:

	Land (100-109)
101	Land with construction
102	Open / Vacant / Usable land
	Buildings (110 – 119)
111	Building with built up area of 1000 Sq Mtrs
112	Building with built up area of 1001 to 5000 Sq Mtrs
113	Building with built up area of 5001 to 10000 Sq Mtrs
114	Building with built up area above 10000 Sq Mtrs
115	
	Improvements other than buildings (121 – 130)
121	*Easements*
122	*Retaining Wall*
	Infrastructure – Roads (200 – 299)
201	*National Highway*
202	*State Highway*
203	*Major District Road*
204	*Other District Road*
205	*Rural Road*

	Infrastructure – Bridges
211	*Minor Bridges*
212	*Major Bridges*
	Infrastructure - Water Works
221	*Water Systems*
222	*Sewerage Systems*
	Vehicles (300 – 399)
301	By-cycles
302	*Motor Cycles (Two Wheelers)*
	LMV (upto 3 tons)
310	*Passenger Vehicles (Seating Capacity upto eight)*
311	*Delivery Van*
312	*Ambulance*
	MMVs (3 to 10 tons)
330	*Omni Bus*
331	*Trucks*
332	*Ambulance*
	Heavy Duty Vehicles (>10 tons)
350	*Bus*
351	*Truck*
352	*Fire Engines*
	Self Propelled Vehicles
370	*Road Roller*
371	*Tar Sprayer*
372	*Street Sweeper*
373	*Excavator*
374	*Fork Lift Truck*
375	*Bull Dozer*
376	*Earth Moving Equipment*
	Other vehicles
390	*Tractor*
391	*Trailer*
	Office Furniture (400 – 499)
	Seating Arrangements
401	*Executive Chair*
402	*Visitors Chair*
403	*Conference Room Chair*
404	*Lobby / Lounge Chair*
405	*Sofa*
406	*Plastic Chairs*
	Tables
431	*Wooden / Steel Table*
432	*Work Station*

433	*Conference Table*
434	*Dining Table*
	Storage Units
450	*Steel Almirahs / Wooden Cup boards*
451	*Wall Closets*
452	*Lockers*
453	*Book Shelves*
454	*Slotted angle / Wooden racks*
455	*Cabinets*
456	*Safes*
	Office Equipment (500 – 599)
	Hot and Cold Arrangements
501	*Window air conditioners*
502	*Split air conditioners*
503	*Central Air conditioning plant*
504	*Water Cooler*
505	*Refrigerator*
	Audio Visual Equipment
521	*TVs*
522	*DVDs*
523	*LCD Projectors*
524	*Digital Cameras*
	Communication Equipment
541	*Fax Machines*
542	*Telephones*
543	*Mobile Phones*
544	*Video Conferencing Equipment*
545	*Satellite Dish Antennae*
	Copying & printing equipment
561	*Photo Copying Machines*
562	*Scanners*
563	*Laserjet printers*
564	*Desk Jet printers*
565	*Dot Matrix Printers*
566	*Cyclostyling Machine*
	Computing Equipment
571	*Servers*
572	*Desk top computer*
573	*Laptop computer*
574	*PDA*
575	*Backup devices - hard disk*
	Data and Telecommunications
581	*Networks*
582	*CSU/DSU*

	Interior Decorative Items
591	*Paintings*
592	*Other Artifacts*
	Plant and Machinery – Specialized Equipment (Medical Department)
601	*X- Ray Machine*
602	*Ultrasound Machines*
603	*Scanners*
604	*Microscope*
605	*Analyzers*
606	*Heart Lung Ventilator*
607	*Dialysis Machine*
608	*Heart Lung Monitor*
609	*Oxygen cylinder with trolley*
	Plant and Machinery - Agricultural Department[4]
630	
	Plant and Machinery - Education Department
651	
	Plant and Machinery - Irrigation Department
671	

6.3   The above classification is only indicative. Final classification system would be developed after consultation with the departments and other stakeholders. Thereafter, a 'Standard Asset Code' would be published as a 'Codification Hand Book' by Asset Management Cell in Finance Department. Any mistake in identification of correct code can lead to wrong classification and distorted asset information. In order to facilitate identification, the Hand Book should have descriptive data required to establish the essential characteristics of the asset. Generally, two methods are applied to facilitate identification i.e., descriptive method and reference method. For each approved asset name the Hand Book should offer description of its attributes or characteristics in order to differentiate it from other assets. The guide provides complete list of 'family' of assets for comparison of their attributes and characteristics. Drawings, pictures may be used, especially where description is difficult and likely to lead to confusion. Reference method is an indirect process of identification. Manufacturer's code and asset code are used to identify the asset. In both the methods the objective is to identify the asset correctly. The AMC shall maintain the Handbook by adding new codes as also furnish clarifications as and when required.

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[4] *Equipment that is specific to a Department may be categorized into Types I, II, III, etc depending on the specific characteristics of the equipment. For example: Department holding helicopters for their departmental purposes may categorize them into specialized equipment while enumerating.*

Unique Asset Code

6.4   When an asset is identified during initial enumeration process or acquired subsequent to preparation of initial asset register, a unique 6-digit code shall be allotted to asset comprising the asset code of three digits and another 3 digit running serial number. For example, if a desk top computer is purchased and assuming it is the tenth desk top to be procured by the office, it shall have an asset code 652–010. This by itself will not be a unique asset code as tenth computer in another office will have the same code. The unique code is obtained when the above six digit code is prefixed with the office code.

DDO Code as office code

6.5   The Asset register Framework assumes that each individual office is designated as custodian of assets that it owns and/or controls. That is, accountability for asset has to be fixed at the level of office which directly uses, owns, controls or maintains the asset. Presently, there is no codification of government offices. There is, though, an informal system of codification of Drawing and Disbursing Officers that is in operation in the Treasury Department for the purposes of accounts. A drawing and disbursing officer is an officer designated by head of office to draw bills and disburse payments on behalf of the office. Every office has a DDO and, generally, one DDO services one office. However, in some exceptional cases a DDO may draw bills on behalf of two offices. It will not therefore be incorrect to assume that a DDO is co-terminus with an office.

6.6   The Treasuries are presently using 11 digit numeric code for DDO comprising first 4 digits to identify the district / sub-district, next four digits to identify the Secretariat department and Head of Department and the last three digits being the running serial number of offices within the HoD. *This DDO codification system should be formalized through a government order, which should also set out the procedure for allotment of code for newly designated DDOs.* This is now being done by the concerned District Treasury Officer, which may continue with a proviso that the new DDO code should be endorsed to AMC for its information.

6.7   The asset number would, thus, be:
- 11 digit drawing and disbursing officer (DDO) code
- 3 digit Asset Classification Code
- 3 digit running serial number of the asset in that department.

Asset Code to change when asset is transferred

6.8   Whenever an asset is transferred from one department to another, the said asset should be deleted from the asset register of the transferring department and treated as new acquisition by the receiving department, which should allot

a new asset code. To illustrate, if Office A transfers a desk top computer 652-010 (to Office B), it will delete this item from its asset register and the Office B will assign a new asset code i.e. 652-007 (assuming that the additional computer is the seventh computer in office B). Thus, when there is change in office holding the asset, it is treated as disposal of asset in transferring office and acquisition of an asset in receiving office.

6.9   While AMC would publish 'Codification Hand Book', the actual codification of assets would be done by the individual offices owning/controlling the assets. Asset Accountant will allocate asset numbers in sequential order to be reviewed by head of the department at periodic intervals. Internal auditor should also verify the control over asset numbers allocation process. No deviation from the standard codification process should be permitted.

6.10   In case if an office does not find an asset in the 'Codification Hand Book', the asset accountant should request AMC for creation of code in the prescribed format. All the asset accountants should be informed about the contact person, phone number and fax number for making such requests or for seeking clarifications on codes published in 'Codification Hand Book'. To facilitate AMC to assign a code, the following information should be sent by asset accountants:

- Nomenclature of the asset as provided by the manufacturer
- Name of the manufacturer or supplier
- Indicative group and class of asset

6.11   The exact name and details of the manufacturer are crucial, so enough care should be exercised in providing such information. In case of assets that are broken into components for base unit recognition, details of the component manufacturer should also be provided. Request should be sent to the designated authority in AMC.

6.12   Request for codification of new assets should be well coordinated within the department to avoid multiple requests at AMC. For a better co-ordination, codification requests may be forwarded through the Head of the Department. Another advantage of this approach would be that Head of the Department gets updated of new asset acquired in his department.

6.13   Codification requests may also be initiated by manufacturers or contractors themselves, whenever a new product is launched by them. Standard formats need to be prescribed by AMC for codification request by manufacturers, vendors, sub-contractors and other suppliers.

6.14   AMC on its part shall first check whether information provided by the department for creation of code is sufficient. AMC shall also verify if the asset classification code already exists. If no code exists for the asset class, new code shall be created as close as possible to similar class / type of assets.

Roles and Responsibilities in codification

6.15   AMC shall be responsible for:

   a.   Publishing uniform codification standard;

   b.   Organizing training all officials on codification standards; and

   c.   Circulating the publication of asset classes and flow-chart of principal groups.

Heads of Departments and offices on the other hand shall be responsible for:

   a.   Codification of assets and maintenance of asset register;

   b.   Adherence to circulars issued by AMC time to time;

Asset Accountants shall be responsible for:

   a.   Identification of assets with appropriate class; and

   b.   Assignment of sequential code.

Tagging the assets

6.16   There are various methods of identification of assets. One of the most common methods is use of unique colour. Green colour vehicles used by army, yellow coloured vehicles used by ICRISAT are some of the examples. Though such system facilitates tracking lost items, it does not provide asset-wise control. Another method is tagging individual assets, which facilitates easy and quick identification of assets. Several technologies are available for tagging assets. Bar codes and RFID coding are some popular techniques. In case of bar code tags, the bar code reader can be so programmed that it can even track the location of the asset. Asset custodians should be responsible for tagging assets. Tagging should be mandatory for sensitive assets and movable assets. That is, controlled assets though expensed in accounts need to be tagged for control purposes. In case of low value items (plastic chairs in meeting halls) that are not controlled individually, tags may not be required. However, this needs to be clearly laid down in the policy. When assets are recognized as a group, tagging will not be possible. However, they should bear some marking to establish ownership and discourage theft.

6.17   Tags should be fixed on assets in such a place that it can not be removed or destroyed easily when asset is in use. AMC should specify place on assets where the tag should be fixed. Such a practice facilitates inventorying assets as team members would know where to look for the asset tag.

Data fields for Asset Database

6.18   The Asset Register for a finance manager is a break-up of the total value of assets shown in the balance sheet. Annual physical verification is done with reference asset register as a financial control to assert their existence. Governmental Accounting Standards Board (GASB) Statement 34 requires

governments to report all capital assets, including infrastructure assets, in the government-wide statement of net assets and generally should report depreciation expense in the statement of activities. A primary objective in the development of any assets system is to meet this objective.

6.19   Governments that mortgage assets to borrow funds must meet assets disclosure requirements. On the other hand, registers maintained by engineering departments should assist in assessment of assets' condition and plan for their maintenance. Engineering asset registers need to be setup in such a way that they can be drilled down to 'maintainable unit' level, and needs information to do 'impact analysis' to capture criticality of the asset. Legal perspective demands altogether a different requirement as different laws govern different groups of assets. Enumeration methods also pose challenge as to how data fields need to be specified viz., huge water pipe line may be measured in diameter lengths using traditional methods, where as GPS would record this as several objects in vectors. Success of the asset register system depends on what is the purpose for which it is going to be used. As the requirements of different users vary about the asset data, it is important to first understand the requirement and arrive at data requirements. The following are some purposes for which asset registers are used:

a. Capital Budgeting
b. Asset Maintenance Budget Planning
c. Asset Condition Analysis
d. Asset Risk Management
e. Asset Performance Analysis
f. Asset Graphical Information
g. Monitoring Asset Information Controls
h. Financial Statement Preparation

6.20   Considering the background of the present project, the requirement is narrowed down only to list down all the assets acquired by various departments with minimum information required for establishing physical control over assets. While preparing National Asset Register, UK also had similar first step:

UK - National Asset Register 1997: Forward

The departmental asset registers do not contain any asset valuation. The purpose of these registers is to provide an inventory of assets belonging to departments rather than to provide accounting information. Valuations will be included in departmental resource accounts when these are prepared (from 1999 onwards)

Valuation of assets omitted

6.21   As the primary focus is on enumeration of assets, it is proposed that while the asset register framework would include a provision for asset value, the asset register is expected to include values for all assets only in the medium term. To begin with as stated above, enumeration exercise would involve only listing the assets particulars such as description, location, etc. and acquisition / construction value where it is readily available. Even so, in order that the asset register has more enduring value it would be so prepared that asset data structures would be designed in such a way that maintenance, performance evaluation and capital budgeting modules can be added on in future.

6.22   Some of the projects undertaken by the government involve huge construction works which have long gestation period. Since such infrastructural assets may have components that may generate value independently, although the project as a whole may be capital-work-in progress, that portion which is complete and providing economic value should be considered as asset and should be enumerated.

6.23   Broadly the data fields that would capture the base line data about the assets is given in table below. They are discussed in turn in the following paragraphs.

	Land	Buildings	Improvements	Infrastructure	Plant & Machinery	Vehicles	Office Furniture	Office Equipment
Asset Code	√	√	√	√	√	√	√	√
Asset Description	√	√	√	√	√	√	√	√
Title / Reg. / warranty ref no.	√	√			√	√	√	√
Asset Custodian Office Name	√	√	√	√	√	√	√	√
Location	√	√	√	√	√		√	√
Unit of Measurement	√	√	√	√				
Measurement	√	√	√	√				
Date of Purchase / Construction		√	√	√	√	√	√	√
Model / Make					√	√	√	√
Vendor Name					√	√	√	√
Manufacturer's No.					√	√	√	√
Valuation Code	√	√	√	√	√	√	√	√
Value	√	√	√	√	√	√	√	√
Salvage Value					√	√	√	√
Condition Assessment	√	√	√	√	√	√	√	√
Utilization	√	√		√	√	√	√	√
Date of Disposal	√	√	√	√	√	√	√	√

Asset Code

6.24   All assets would have an asset code comprising the asset number prefixed by controlling office (DDO) code as discussed in paragraphs 6.4 to 6.7. Identification of asset as a unit in case of infrastructure assets and improvements other than buildings would need to be done scientifically. The department concerned would have to develop principles and procedures for determining the identity. For example, a state highway may extend to several hundred kilometers. Would it be taken as one unit or would the road be segmented on some principle and identified on that basis?

Asset Description

6.25 The asset code is a numeric code which should be represented by a standard description. For instance, code 652 refers to Desktop Computer and code 411 stands for passenger car / vehicle.

Title / Registration / Warranty reference number

6.26 The most important purpose of asset register is that it enables the office to exercise control over the assets in its possession. In order to establish ownership and prevent misuse, the office should have documents to support its claim of ownership.

6.27 All assets other than infrastructure and improvements other than buildings would have some document to establish ownership. In case of some infrastructure assets which are created under some PPP agreement, there could be reference to some contract number.

Asset Custodian Office Name

6.28 While the office (DDO) code is captured as part of the asset code, the actual name of the office should be linked with each asset.

Location

6.29 Location is important to establish the existence of asset through physical verification. If an entity claims it has 20 desk top computers, it must also indicate where they are 'located' so that someone could physically verify them. This is relevant for all assets except vehicles and portable (controlled) assets such as lap tops, PDA, mobile phones, etc. In the case of portable assets, the name of the person to whom the asset has been given should be noted in place of location.

6.30 Location of assets within the entity assumes that there is practice of identifying rooms, halls, etc. within a government office building. Generally, most government buildings have no such practice. For asset register to be effective, it is important that government establish the practice of identifying buildings and within buildings rooms, halls, hallways, etc. by a numbering system. It is recommended that this should be done as a separate exercise for which government should issue a separate order.

6.31 As for infrastructure assets, they could be identified based on 'Global Positioning System' and 'Computerized Maps' that locate places based on geometry of the Earth based on latitude and longitudes. Some indicative parameters for location identification are given in table below:

Asset	Address / Location Identification
Land	Survey numbers issued by Revenue Department
Building	Survey numbers issued by Revenue Department
Infrastructure	Survey numbers issued by Revenue Department

Assets	
Vehicles	Code of the building of reporting office
Furniture & Fixtures	Code of the building where these assets are physically exist
Equipment	Code of the building where these assets are physically exist
Computers	Code of the building where these assets are physically exist

Note: Location of the asset can be identified internally and a column in the database need not be mandatory since some items in the Department may be moved from one location to another temporarily.

Unit of Measurement

6.32 There are assets which are countable and are maintained individually such as office furniture and equipment, vehicles, plant and machinery. In their case, unit of measurement is not required. Whereas, in case of land (square meters), buildings – built up area (square meters), roads (length – kilometers), etc. their measurement is required as without an idea of the 'quantity', information is useless. For example, asset register may reveal that department A has 20 buildings and department B has 120 buildings. Would it possible to conclude from the above that department B has larger asset stock? Not necessarily, as the built up (carpet) area of former is 100,000 sq meters whereas that of latter is only 25,000 sq meters. The important point is that unit of measurement applied should be standard across the government for one class of assets so that they can be compared. As for infrastructural assets, the departments concerned would have to develop suitable system.

Manufacturer's / Contractor's Codes

6.33 Manufacturer's / Contractor's code may be captured along with the asset to formulate a Standard Coding System for unique identification of manufacturers. Such database shall have information of names, addresses, telephone, fax, e-mail and industrial classification codes of vendors. Ideally, AMC should maintain such database which can be linked to the classified asset database in order to produce vendor wise products dealt. Additional data of prices, manufacturer's standards of asset maintenance, dealership / maintenance network of the vendor may be integrated to make preparation of capital budgeting and maintenance budgeting a drag and drop play. The manufacturer's code can be used for variety of purposes like short listing preferred vendors, automated bidders list, tracking payments, etc. In major capital projects, the lead supplier may need sub-contractors also to obtain the code. Standard vendor contract may be entered standardize asset procurement. Such contract should have a stipulation that the manufacturer shall update changes in their products and other pertinent changes required for maintenance of codification database. The provisions should be made equally applicable for all sub-contractors under the vendor.

Model / Make

6.34 Model / make refer to model / make of the asset. For example Advanced Stack, Bay Stack, B-16 Token Ring etc. are different types of asset models in asset type Hubs.

Valuation Code

6.35 As mentioned above in paragraph 6.21, valuation of assets is only incidental to preparing asset register, whose main intent is to list (enumerate / inventory) all government assets to ensure custodial and stewardship responsibilities. Even so, as part of the exercise it is proposed to capture the value if it is readily available. Valuation code will indicate whether the valuation is based on actual purchase, acquisition, or construction price / cost or is it a technical estimate. Initially, all values will be based on actual cost / price. Where such actual cost is not available, the government would separately undertake valuation based on one of the following methodologies viz. technical estimate, market value, replacement cost less depreciation and so on. AMC should notify acceptable valuation methodologies along with detailed guidelines that the departments can adopt for valuation of assets. A suggested coding for valuation could be:

01- Actual cost of acquisition / purchase

02- Market value (relevant for land)

03- Technical estimate based on date of acquisition and condition of asset

04- Replacement value

Condition Assessment

6.36 Assessment of condition of the asset is important for valuation purposes. When value of an asset is technically estimated, the current value should be determined taking into account depreciation over the period when the asset was in existence, and the asset's present condition. Further, an idea about asset's condition provides useful input to managers to take decision about maintenance and replacement of assets. Also it would indicate if any assets are unusable and therefore unproductive. As all assets would be physically inventoried for preparing the asset register, it would be ideal if their condition could also be assessed so that they do not require to be 'revisited' again at the time of valuation. The team conducting the enumeration of assets should briefly record the condition of the asset. A rating scale as below could be developed for different types of assets:

Condition Rating for Roads

Excellent	No potholes. No cracks requiring filling. Complies with engineering standards.
Good	Some potholes. Minimal crack filling required. Complies

	with engineering standards.
Fair	Evidence of deterioration. Has numerous potholes and regular crack filling required.
Poor	Pavement deteriorating. Extensive potholes and cracks. Joint failures. Needs resurfacing.
Failing	Road bed and surface needs replacing

It is recommended that condition assessment be done on a cyclical basis to ensure that say, every three years an asset type is reviewed.

Asset Utilization

6.37   Efficient utilization of assets is an important objective of asset register framework. Sometimes assets remain unutilized due to the asset not being commissioned after its procurement. There are instances where equipment lies in packed condition for many years after it is acquired at considerable cost. Similarly, costly equipment remains underutilized as the necessary repairs have not been carried out. Some assets may have outlived their life or utility and lying unused. Therefore, it is important that physical verification brings out this aspect so that the management can take appropriate action to utilize the asset or otherwise dispose it of. For this purpose, asset utilization could be captured under codes as below:

001 -   Asset not installed;

002 -   Asset not brought to operational condition;

003 -   Asset needs major repairs;

004 -   Asset needs minor repairs;

005 -   Asset is beyond economical repair;
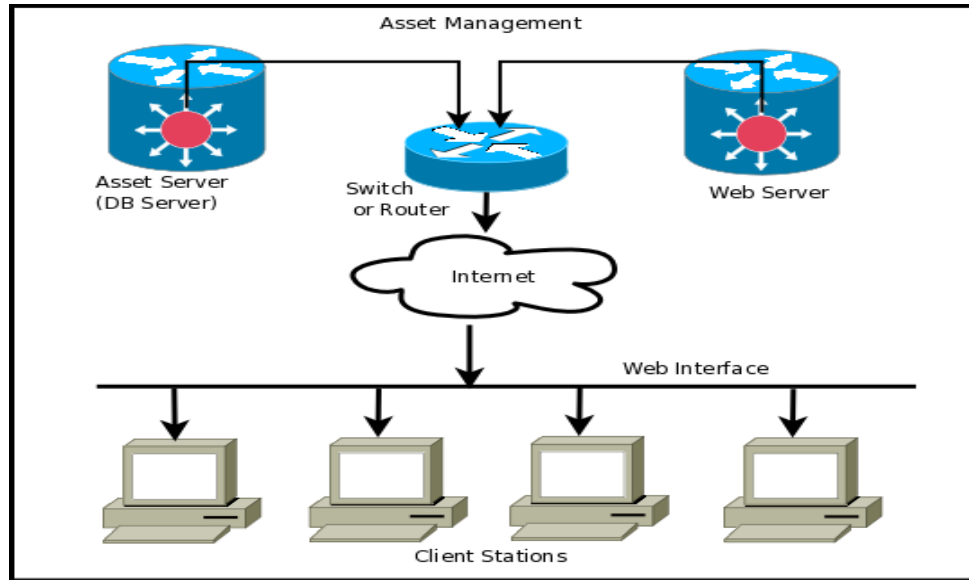
006 -   Asset is no longer useful.

Asset Register Computerization

6.38   Asset Register is the primary source of information about assets. Asset register refers to combination of sub-set of registers maintained for each group of asset. While initial format would contain only basic enumeration related data like asset code, name, location, etc. asset information strategy can be developed over number of years. It needs to be improved in a modular fashion where the information may be added as the need arises.

6.39   Simplest data collection tool is Microsoft Excel, from which data can be exported to any other database as required. The advantage of Excel is its simplicity of presentation of the data in the prescribed formats. Moreover, it is easy to train people in excel for collecting and storing data. Photographing of the assets is one of the easiest and effective ways to establish the existence of the asset. This may also be of use for condition assessment by experts. Bar codes and RIDF coding are some popular technologies in asset tagging. In

case of bar code tags, the bar code reader can be so programmed that it can even track the location of the asset. Some advanced asset tracking and positioning equipments are also available like HP IPAQ's Pocket PCs with Bluetooth GPS units. These equipments are lightweight and are easy to use as the data collected can be directly fed into the computer database. Some sophisticated electronic equipment are available for enumeration and condition assessment of infrastructure assets like roads, water and sewerage system but the usage of such equipment is not popular.

6.40   The proposed asset register captures movable assets such as office furniture and equipment (for which some manner of record is maintained today) and fixed assets such as land, buildings, roads, bridges, and so on. The assets in former category are numerous and of lower value, what may be seen as 'C' class items i.e. items making up 80 percent in numbers but contributing to 20 percent of total asset value. The fixed assets form the valuable ('A' class) assets which have not been covered by any asset register framework so far. The statewide asset register (database) would have both categories of assets.

6.41   It is possible for individual offices to maintain register manually because at the level of an office the volumes are not likely to be very high. However, the aim of asset register framework is to have the assets of all offices on a single database which would provide valuable information to support decisions in the areas of capital and maintenance budgeting. Also, a centralized database on a common platform is not only easy to manage but would also a) ensure uniformity in practices, b) monitor compliance with asset management policies by all offices / departments, c) provide a platform to migrate to resource based accounting system in future.

6.42   It is proposed that the computer application would have a central server with a web based application which individual offices will access to enter / update the asset data through internet. (Diagram below shows the architecture of the system) The vendor selected to develop the system should be asked to also provide for technology that would facilitate reading barcode, RFID, etc.

The Asset register shall be eventually integrated with the accounting package to enable simultaneous updating of the asset register as soon as an asset is acquired.

Chapter 7

Enumeration of Assets

7.1   If there is an asset register already, then it is a matter of keeping the register updated with changes viz. disposal and new acquisition. If, however, asset register is not available for majority of assets as is the case presently in the government, there is a need to first enumerate all the assets. Once an asset register is created through enumeration, it will be necessary to periodically verify the assets physically to establish their continued existence / availability. The de novo enumeration of assets and their subsequent physical verification are two independent processes. The first process i.e. the zero-based inventory which involves identifying all the assets physically and inventorying them afresh has additional advantages besides helping create the asset register. Advantages of zero-based approach are:

    i.   it provides assurance that assets actually exist;

    ii.   retired assets can be identified and eliminated;

    iii.   assets are recorded in a sequential order; and

    iv.   condition of the asset can also be tracked.

Enumeration of assets

7.2   Enumeration of assets is the key process in building the asset register. This is the first phase of asset management and requires enormous amount of field work. Enumeration should cover all the assets owned by the Government. The data that requires to be captured in during enumeration has already been discussed in the previous chapter.

7.3   Inventorying assets involves identifying and recording a large number of assets. Currently, the departments maintain very little information of the immovable properties (except roads) whereas some departments maintain registers for 'stores' which may not have been updated e.g. old assets that have been discarded are probably still shown in the records and recently procured assets may not have found a place in the register yet. Enumeration exercise would be a huge task when the assets are spread across several geographic locations since at many places the location transfers have not been updated in the records. Another major difficulty in enumeration is that of title that may be in dispute for some of the assets. Many departments would identify assets by the fact that it is physically lying with them, but they may not have the necessary documents to establish the ownership. Moreover, obtaining the information of such assets, especially assets which are more than 15 years old would also pose a challenge.

7.4   Assessment of the condition of asset is another major challenge in the enumeration of assets. Condition assessment would require judgment in terms of:

- Use beyond expected life;

- Physical deterioration;

- Functional obsolescence i.e., reduction in value of an asset due to inability to perform the function for which it has been designed; and

- Economic obsolescence i.e., reduction in value caused by conditions external to the organization like change in government regulation, availability of raw material, market accessibility, etc.

Six Critical Questions

- **What do you have?**

- **Where is it?**

- **When did you get it?**

- **What did it cost?**

- **What is its condition?**

- **What is the expected remaining service life?**

Phases of Enumeration Process

7.5   The enumeration process involves collection of basic data about the assets and tagging of them. The list of assets should be made from:

a. Physical records like invoices for purchase or transfer;

b. Talking with staff, managers and other stakeholders;

c. Site visits (physical verification)

d. Deeds and agreements and other legal documents;

e. Any other source of information.

The activity has to be meticulously planned and conducted in phased manner. A pilot exercise shall be undertaken in 3 or 4 departments which shall be followed by an asset audit. Some effective strategies for the smooth conduct of the collection would include taking up this activity during the slack season of the department or by employing additional resources. The personnel involved in the activity have to be thoroughly trained and there has to be continuous monitoring of the work to ensure that there are no lapses in the identification and collection of the assets.

7.6   Before the actual count (enumeration) the following precautions should be taken:

i. Prepare a calendar for enumeration exercise. If the exercise is being undertaken simultaneously by all departments, this plan should align with the State wide project plan.

ii. It is a good practice to request internal auditor to participate in the process. However, internal auditor should not be part of the team. They should confine their role to being observers.

iii. Each team should be headed by a supervisor and include a persons who can identify the assets.

iv. All the persons involved in the enumeration should be properly trained and should have thorough knowledge of consolidation at state level, so that they can fully appreciate the spirit behind the exercise. For this purpose HOD should organize training programme for enumerators.

v. Enumerators should be selected for each district so that they can conduct the enumeration of all the departmental assets in the district.

vi. Heads of offices at various locations should be informed of the activity, so that they would render assistance in identifying assets and providing related records, where necessary.

vii. Interdepartmental transfer of assets and disposal of assets should be temporarily suspended during the period of enumeration.

7.7 During the count, care should be taken to:

i. Maintain duplicate copies of work sheets. As far as possible the data sheets should be fed into server and mailed to AMC. Proper back up for the soft copies should be maintained.

ii. Ensure co-ordination among team members to avoid duplicate count or missing of the count. In case more than one team is involved in the process, make sure that each team takes up different group of assets to ensure clarity in division of work.

iii. Record date and time of the data entry and sign each worksheet by the head of enumeration team.

iv. Enumeration team should be sensitized to exclude assets of third party lying on location. Head of Office should assist in identifying such third party assets.

7.8 After the count,

i. Head of the team should exercise strict control over the forms issued and forms collected back;

ii. He should check completeness of the form and sign each worksheet before data entry / mailing copy to AMC; and

   iii.   Problems encountered during the enumeration process should be posted to AMC for further action.

Role of Assets Management Cell (AMC)

7.9   AMC is responsible for issuing directives for custody and control of assets and for consolidating the assets reports. Implementation of this manual is responsibility of AMC. It is the responsibility of AMC to ensure that extensive training is given to the users so that implementation is uniform across the state. The department may also come across some unexpected problems in establishing a practice that needs to be resolved at the earliest. In such cases AMC shall escalate problems to Department of Finance for necessary instructions to be issued. During the enumeration, some of the issues like establishing ownership, valuation, etc. may need decision of policy makers. Some of the issues need consultation with experts. Departments should be instructed not to take their own decision in respect of such matters. In all such cases, AMC should be consulted and it shall consolidate issues and bring them to the notice of Department of Finance so that uniform procedures can be laid down and implemented. This will also avoid duplication of work by other departments and divergence in practices. Once the enumeration process is completed, AMC shall consolidate assets at State Level. Thus, AMC is the key department for management of Assets of the State.

7.10   AMC should establish policies and procedures for inventorying. The policy should specify steps involved in physical verification of the individual group assets. Inventorying policy for controlled assets and group assets needs to be spelt out clearly. Uniformity and continuity of polices should be established and relevant forms should be finalized before inventorying the assets as too frequent policy changes in subsequent periods would render the system useless creating confusion in the minds of enumerators. Forms should be carefully designed keeping the final output requirements in mind. Coding and tagging policies and systems should be established. Tasks to be performed by AMC are as following:

   i.   AMC should plan the assets register preparation as a state level project;

   ii.   Identify state level team as well as department level team necessary to carry out the identification, enumeration and valuation activities;

   iii.   Ensure that the process of inventorying in all departments is conducted over the same period;

   iv.   Train the teams to be involved in the inventorying process;

   v.   Intimate all offices across the state which will be involved in this exercise; and

   vi.   Review the process to ensure adherence to the project plan.

Role of Head of Department

7.11 Each Head of Department should constitute an Asset management Section within the department. This section shall be responsible for assets management within their department. The Head of the Department with assistance of AMS should ensure the following:

a. Establish custodial responsibility among the offices for infrastructure assets based on prescribed criteria. .

b. Identify district level teams for enumeration and arrange for their training;

c. Establish timelines for completing the tasks;

d. Plan, manage, direct and co-ordinate the enumeration process; and

e. Monitor the progress and support the enumeration teams with required guidance.

Some guidelines for enumeration

7.12 The following section provides guidance for enumeration process.

Land

7.13 **Alienation:** Government Departments acquire land either by means of alienation from Revenue Department or as a process of transfer of land from one department to another. Even in case of transfer of land from one department to another, it is taken over by Revenue Department and transferred as a process of alienation.

7.14 As per Board Standing Orders alienation of land means grant of State land for bona fide public purposes to a person, institution or local body either free of cost or on payment of full or concessional market value. According to BSO 22 (8) the Collector is empowered to transfer any extent of State Government Land to any other State Government or Central Government irrespective of extent and value. After the alienation process is over, the Assistant Director, Survey & Land Records {AD (S & LR)} will send Supplementary Sethwar and Final Check Memo to the Mandal Revenue Officer (MRO) to make necessary changes in revenue records. For alienation of land within the Municipal areas the resolution of the Municipal Council/Corporation is necessary. The following records duly attested by MRO are to be enclosed to the alienation proposals:

a. Application in prescribed form (BSO 24 Appendix XXIX);

b. Resolution of the local body agreeing to the alienation;

c. Scrutinised sub division record in triplicate;

d. Combined sketch showing the land applied for alienation and the adjoining lands;

e. Check Memo duly answered;

f. Extract of 'A' register / Settlement Fair Adangal and Village Account No.3;

g. Note on the valuation of the land with registration statistics and statistics from basic value register;

h. Tree valuation statement if there are standing trees;

i. Consent statement of the applicant agreeing to pay the value of the trees and structures on the land;

j. Permission of the Railway or Port Authorities, as the case may be, if the land is situated within half a mile from railway line or port limits;

k. Consent letter of the applicant to pay the cost of acquisition, if the land applied for was previously acquired at the expense of the Government;

l. Application for waiver of land revenue if the alienation is for non-remunerative purpose (BSO. Appx XXX);

m. In Municipal areas the consent of the Municipal Commissioner; and

n. Notes of Inspection;

7.15 On receipt of application for alienation of land, the land is identified and if it is free from encroachments and if it is not proposed for other purposes previously, *the necessary further action is taken to make over the land*. After issue of orders by competent authority, after handing over possession of the land on collection of land value if any, the changes in the Mandal / Village records are made.

7.16 **Transfer of State Government Lands from one Dept. to another:** Under B.S.O. 22 Para 8, Collector is empowered to transfer Government lands from one Dept. to another subject to the following conditions:

a. That there are no requests for the land from another government dept. besides the one to which it is proposed to be transferred;

b. That the land is not transferred to a Commercial Dept.;

c. That only vacant land is involved;

d. That in every case, where the land is taken away from the control of one Department, the consent of the Head of the Dept. concerned is obtained before the transfer is effected; and

e. That the competent authority, viz., the Collector ensures that the purpose for which the land is transferred is fulfilled in a reasonable time; otherwise the orders of the transfer should be revoked and the land should be resumed by the Revenue Department.

7.17 Thus, records with respective Mandal Revenue Office (MRO) and records of Municipal Corporation and Office of District Collectors form the primary source of information for enumeration of land with belonging to various government Departments.

7.18 The Special Commissioner and Director of Survey Settlements A.P., Hyderabad vide his letter Re. No. Nl/ 6543/1999 dated 25.07.2001 issued the guidelines for Demarcation of Lands stating, among others, that *'demarcation of land being the primary and the only duty of the Mandal Surveyors, petitions for demarcation of boundaries from the private parties shall be entertained by the concerned Mandal Revenue Officers only and Mandal Surveyors shall conduct demarcation after written approval of the MROs concerned as per BSO and Mandal pattern of administration.'*

7.19 So, Mandal Surveyors, being experts should be engaged in survey of land. Considering enumeration complexities involved in bringing land into books, AMC should consider certain general guidelines. For example, ownership of land in many cases is an issue as departments do not hold records or documents or deeds of ownership for the land held by them. In fact, there have been specific cases where the land on which a hostel is constructed has been claimed by a private party and the department concerned has no official record to establish the claim of the ownership of the land. Another issue is in the area of office complexes built to house various district level offices that belong to different departments. Such office complexes may be built with contribution from different departments or by one department. In such case, the actual ownership of the land, the proportionate allocation of the office space, floor area etc. is also an issue that needs to be looked into.

Buildings

7.20 As per HUDA Development Control Regulations, a building means any structure for whatsoever purpose and of whatsoever material constructed and every part thereof whether used as human habitation or not and includes foundation, plinth, walls, floors, roofs, chimneys, plumbing and building services, fixed platforms, verandahs, balcony, cornice or projection, art of a building or anything affixed thereto or any wall enclosing or intended to enclose and land or space and signs and outdoor display structures. Temporary structures for public purposes such as fairs, exhibitions, etc. in the form of tents, shamianas and tarpaulin shelters erected for temporary and ceremonial occasions with permission of the authority shall not be considered as building

7.21 The purpose of inventorying buildings is to report building-by-building usable square meters owned by government. This information is reported irrespective of whether the space is occupied by government departments or not. AMC may issue guidelines on measuring built-up area and whether any further break up is required such as the common areas like the stair wells, lobbies, etc. and area occupied by canteen, office associations, motor cycle / car parks, and so on. These details would have to be built into the database after they are finally decided.

Roads

7.22   Road consists of land, base structure and top surface. Over a period surface is coated keeping the base structure in the same state. There are two alternative ways of recognizing roads:

a. List road surface separately from base structure. Advantage of this method is the old surface is removed and new surface is added when road is coated.

b. Recognize the base structure and the top surface together. Estimated value of the old surface is computed as it is not available and such value is removed.

Capitalization threshold for such assets may be prescribed either in monetary value or unit of measurements like say, more than 200 meters of road.

7.23   Normally, *land beneath the road* is not reflected as a government asset as the road is a public right-of-way. However, where for laying roads the Department of Road and Buildings obtains land from Department of Revenue or otherwise acquires land by paying compensation, the land beneath the road may be enumerated as an asset.

7.24   In India, asset management of roads is guided by standards issued by Indian Road Congress. Standards laid down by Indian Roads Congress suggest the following classification for roads:

- National Highways (NH)

- State Highways (SH)

- Major District Roads (MDR)

- Other District Roads (ODR)

- Rural Roads (RR)

They may be further classified according to the surface.

Note: National High-ways are not assets of State Governments; can not be entered in asset register of the State. Yet, since National Highways pass through the state territory and are managed by Department of Roads and Buildings, they may be included in the state asset register.

7.25   Road is typically a composite asset comprising culverts, bridges and accessories like pavements, dividers, retaining walls, signaling systems, hoardings, etc. For the purpose of asset register, only bridges may be recorded separately for control purposes. All other road related assets will be included in the value of the road concerned.

Bridges

7.26   IRC Classification of Minor Bridges and Major Bridges is as following:

- Minor Bridge: >10 meters and up to 30 meters in length

- Major Bridge: >30 meters in length

IT Hardware

7.27   IT Assets, though the cost may not exceed the threshold limit, it is essential to identify, enumerate, tag and track location of each and every component of the asset owing to its nature. State wide plan for IT including the formation of uniform policies for better technical and security standards should be formed in the form of Information inventory systems. AMC should have IT experts to form these policies. Configuration management is the best practice for unique identification, controlled storage, change control and perpetual reporting of IT assets of the organization. Configuration management has the following elements:

- Consistent, unique identification of configuration of IT assets and associated software

- Status accounting

- Documented change control for all changes in IT assets, operating systems, application software

- Performance of audit

7.28   ISO 10007:2003 Guidelines for Configuration Management and ANSI/EIA 649:1998, National Consensus Standard for Configuration Management provides broad guidelines to hardware and software assets

7.29   Confidential information like password for software license acquired etc. shall be maintained by AMC. This will avoid misuse of license acquired by the State Government. At the same time it provides opportunity for other departments to use surplus licenses unutilized.

7.30   For example State Government of Arizona runs web-based software Information Services Inventory System (ISIS) to compile information of IT assets owned by various departments of the State Government. It follows standard IT Inventory Asset Type Nomenclature:

- End User Devices – Mac's, PC's Network Computer, etc.

- Mainframes – EX80, etc

- Minicomputers – AS 400, VS 7310, etc

- Server – MAC, UNIX, Win Tel etc.

- Software – Operating Systems, Databases, E-mail, Antivirus, Web development, etc.

- Telecommunications – ATM Switches, Bridges, Gateways, Hubs, Routers, Voice Power Equipments etc.

7.31   It is a good practice to have network topology in place. Each department should have a detailed network diagram of major IT asset installations, network components (nodes and connections) and communication equipment. The network diagram should be provided each year to the AMC by the Heads of the Departments.

7.32   Software is not considered an asset as it provides only right to use someone else's product. However, software developed by the department either through in-house effort or by a vendor where source code is owned by the department is considered as an asset.

Chapter 8

Maintenance of Asset Register

8.1 Maintenance of asset register is a dynamic process of enumeration and updating of the assets owned by the entity. Changes include

- Acquisition of new assets

- Transfer of assets

- Removal of condemned / disposed of assets from register

- Changes found on Physical Verification

This section deals with the procedures and forms for effecting the above transactions

Acquisition of new assets

8.2 All newly acquired assets should be entered into the asset register by the asset custodian office. New asset should be assigned appropriate asset code and tagged. Filing system should be standardized for easy retrieval of documents like suppliers' invoices, registration documents etc. As soon as the asset is received, Assets Custodian Office shall create record of the asset according to the following guidelines:

8.3 **Assign an appropriate code:** Asset shall be categorized into one of the appropriate pre-defined asset codes. If the asset is not covered by existing codification, the office should request AMC in FD for allotment of a new code. The office should use a register to ensure that the assets are given numbers in serial order. It shall avoid assigning the same number or issuing numbers indiscriminately.

8.4 **Tag asset code number on the asset:** Asset -code shall be affixed or painted or engraved on the asset as per the guidelines issued by AMC on tagging.

8.5 **Update the asset register:** The office should enter the particulars of new asset in the asset register database including its value.

8.6 **Value the new asset at cost:** Cost includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site

The department should retain copies of all documents, suppliers' invoices, copies of receipts for additional payments made to bring the asset in use.

Transfer of asset between departments

8.7 Assets may be transferred from one department to another for various reasons. The following steps may be followed in such case:

8.8 The asset shall be marked as disposed by the office transferring the asset and taken as a new asset by the office receiving it. The Transferring department should mark the asset as disposed in the asset register, while the receiving department should assign a new asset code number and record its particulars in the asset register. Name of the custodian shall be changed and all other details shall remain the same. Both the offices should make a reference to the other for linking the transfer.

Disposal of assets

8.9 An asset may be disposed of when it is beyond economic repair or for any other reason as long as it is done with the approval of authority competent to write off that asset and after following the prescribed procedures laid down in the Financial Rules and Asset Management Policy.

8.10 When an asset is disposed of the asset register must be updated to reflect the disposal. Documents related to disposal should be preserved for reference during physical verification.

Physical verification

8.11 The asset register reflects the true position of assets when it is updated every time an asset is acquired, transferred or disposed of. However, physical verification of assets annually is critical to establish that the assets as per the asset register do exist physically and in usable condition. The asset should not only be available physically but it should be the same asset (not replaced by a like asset) and should be in good working / operational condition for it to give economic value to the office. To illustrate, a desk top computer may be listed as an asset in the asset register; it is necessary to establish not only its continued availability in good working order but also make sure that it is the same desk top computer that was acquired by the office and not a replacement.

8.12 An assets register maintains the basic information about the asset acquired. Periodic physical verification of assets with reference to asset register establishes the continued existence / availability of the assets as also facilitates assessment of the present condition of the assets.

8.13 There are various methods of conducting physical verification of assets:
- Independent Manual Method
- Tandem Manual Method
- Bar Code or Optical Scanning Method

In the **independent manual system**, either staff of the department or independent agency is assigned the task of taking physical stock. Each individual is given a list of assets to be inventoried; affix dated signature in the documents as proof of verification. Aggregation of list of assets **inventoried** by each individual shall be the final list.

In **Tandem Manual Method**, same assets are inventoried by two different individuals or agencies independently. The report is sent directly to the departmental heads or AMC as the case may be. Each verifier is responsible for completeness and accuracy of the work done by him. Discrepancy in reports is enquired and resolved.

In **Bar code or optical scanning method**, electronic device records date, time, and location of the asset. However, condition assessment needs to be done manually. Data captured by bar code reader can be directly input into computer system for generating reports like change in the location of asset, assets lost, etc.

8.14   It is responsibility of the management to carry out physical verification of assets at appropriate intervals. While periodical verification is the generally practiced method of physical verification, "Military commander" procedure is considered as an effective way of ensure proper stewardship of assets assigned. Commander in military, as head of unit, is responsible for the recorded assets of the unit. He is supported by team of personnel known as 'Supply Officers' and 'Supply Clerks' whose job is only to maintain the assets properly. Each time there is change in guard; the incoming incumbent reviews and endorses the assets he is taking control of. Article 144 of A.P. Financial Code has similar provision in respect of 'Stores' which is reproduced below:

Whenever a Government servant who is entrusted with the custody of stores in an office is transferred, the relieving Government servant should verify the stock of stores with the stock accounts, certify on the stock accounts as to the correctness of the stock taken over and report the result of the verification to his immediate superior. For the purpose of this rule the Government servant entrusted with the custody of the stores is ordinarily the head of the office, but in a large office he may delegate this duty to a gazetted assistant, manager or recognized store-keeper. When he has done so, the verification prescribed in this Article need only be made, unless otherwise ordered in any case, when a Government servant to whom the duty has been delegated is transferred, and the result of the verification should always be placed before the Head of the office. In spite of any such delegation, the head of the office will still be responsible for furnishing the certificate prescribed at the foot of the various contingent bills etc. stating that the articles billed for have been brought into account, and for exercising general control so as to ensure that the stores are properly safeguarded and the stock accounts properly maintained.

8.15 Asset verification as far as possible should be integrated with the operations of the department. Some of the examples include verification of life saving equipment by the ambulance driver before attending the patient, cruise check of essential items on board in a flight or ship before voyage, etc. Auditors generally participate in physical verification of assets. Though his presence is not mandatory in all physical verifications, auditor should satisfy himself if such control is in place. It is necessary to ensure that the staff involved has sufficient competence. Auditors should also ensure that the discrepancies found during the physical verification have been dealt with as per the laid down procedures.

Guidelines for Physical Count

a. Physical count should be guided by committee of experts in each category of assets. The committee should consider the technical aspects in evaluating assets.

b. Members of the team involved in physical count should have required technical expertise and knowledge of location of the asset. Need for proper training should be assessed.

c. It is a good practice to involve Internal Audit Department while physical count is carried out. The role of auditors should be restricted to observing the process and should not participate in physical count

d. Standardized pre-numbered sheets should be used to ensure completeness of physical count. Proper controls should be exercised on the number of sheets issued and sheets returned to the teams

e. Wherever appropriate, physical verification program should be informed, so that assets are kept ready for verification.

f. As far as possible, issues should be stopped while physical verification is taking place. Else, due care should be taken to ensure correctness in count.

g. It is a good practice to go round the premises to ensure that no assets is missed out and to cover third party places wherever assets are under third party custody.

h. Condition of the asset may be categorized into Good, Fair, Poor and Damaged

i. All the columns of the count sheet should be filled in with legible hand writing

j. Sampling techniques may be used wherever necessary. E.g. Large number of items and verifying contents in sealed covers.

k. Date of count should be mentioned without fail

l. Count in-charge should have control on count sheets and completeness of the count sheets.

m. Inquire and ascertain reasons for assets missing and assets, if any, found un accounted.

8.16   Other provisions of financial code applicable to stores have been enumerated below. Incorporation of definition of 'assets' in financial code and extension of the following provisions to such assets would be an effective means to achieve better control over assets:

Article 143 – Verification of stores

Furniture and other office stores should be verified at least once a year. If office is a large one and the head of the office cannot, do the whole verification himself without undue inconvenience, he may entrust it or such part of it as he thinks fit, to a to a Gazetted Government servant serving under him or to the Head Ministerial Officer of the office, but the head of the office will be held personally responsible for the proper maintenance of the stock account and the correctness of the verification report, whether he conducts the verification himself or gets it done by someone else. The head of the office should sign a certificate of the check after verification and submit to the controlling authority, if there is one.

The verification of stores prescribed in this article should never be entrusted to:

- *a low-paid subordinate;*

- *the custodian, the ledger-keeper;*

- *the accountant responsible for the stores to be verified, or*

- *to a nominee of or a person employed under, the custodian, the ledger-keeper or the accountant;*

- *to any one who is not conversant with the classification and nomenclature of the particular class of stores to be verified and the connected technique.*

And as far as possible the verification on large stocks and stocks of important stores should be entrusted to a responsible officer who is independent of the superior executive officer in charge of the stores. Stores should always be verified in the presence of the officer responsible for the custody of the stores or of a responsible person deputed by him to watch the verification.

Government Instructions:

Procedure for carrying out physical verification of stores in Government Departments - Instructions (Memo.No. 10970/228/TFR90-1, Fin & Plg., Dt. 10-11-1992)

To further clarify the provision in Article 143,144 and 137 of A.P. Financial Code Volume – I, Government has issued these supplementary orders:

Physical verification shall be done for each time of stores and stock at least one in a year before close of the financial years

Cent percent verification shall be done as precisely and as correctly as possible.

Physical verification should be conducted either in one or all of the following methods as the item of store warrant:

- *by count*
- *by measurement (including measurement by volume) and*
- *by weights*

While carrying out physical verification of stores, the officer should keep in view the following points and submit a precise report on each point in a separate para:

Stock in hand in excess of the requirement of the department for a year, and if so, the details of such items should be specified

Unserviceable, obsolete or surplus articles in stores for which survey report should be prepared and sanction for writing down the value has to be obtained.

Remarks should also be made if any deficiencies, undue depreciation of stores and stock articles which are to be exhibited in the survey report

Physical verification should also be done of the empty containers, namely packing cases, drums of various sizes, metals contained and other costly packing material with suggestion for their disposal

Remarks about the suitability of the building for storage (fire proof safety, pilferage or rains or rats, nuisance of whit ants, storage accommodation and way of storing articles) should be recoded in the physical verification report

The date and time take in conducting physical verification should be recorded in the report.

Dealing with discrepancies

8.17   Discrepancies in physical verification may be dealt with as laid down in Article 145 A.P. Financial Code, provisions of which have been reproduced below:

A deficiency detected during the verification of stores may be due to

1. Incorrect or careless accounting

2. Loss arising from fraud, theft or negligence

3. An unavoidable cause, e.g., wastage, shrinkage and spilling in the case of stores which are subject to them

The head of the office or institution concerned should fully investigate the causes of any deficiency and send a full report on it to the controlling authority along with the verification report. If he holds that any loss caused to the government through a deficiency is due to misconduct or culpable negligence on the part of any government servant concerned, he should recommend as to how the loss should be made good by recoveries from them. The controlling authority should, after such examination and investigation as the importance of the case warrants, issue, or obtain from the competent authority, an order to write off the deficiency from the stock accounts. On receipt of this order the deficiency should be charged in the stock accounts with a note quoting the authority. If any recovery is ordered, a note should be recorded in the stock accounts when each amount is actually recovered.

Any excess detected during the stock-taking should, after investigation, be entered in the stock accounts at once as a receipt with the remark 'excess found on stock verification.' No special orders are necessary for this

The controlling authority concerned should prescribe time limits for the different stages of investigation of the cases and fixation of responsibility for losses and deficiencies of stores and stocks and see that such orders are implemented strictly in practice and proceedings finalized with six months. However in cases where further extension in the period is found to be essential, order of the Government to that effect should be obtained.

Movement of movable assets

8.18 **Gate Pass for Assets:** In case of movable assets, removal out of premises for repairs or other needs should only be on issue of Gate Pass. Gate Pass issued shall be authorized by appropriate authority. When the asset is returned the Gate Pass issued shall be suitably marked for return of asset either by writing 'Returned' on the face of Gate Pass or in the column provided in the format for Gate Pass.

Way Forward

i) After the Asset Register Framework is discussed and finalized in the stakeholders' workshop, the following actions need to be initiated for implementation of the framework:

Action by the Government

a. Issue the policy framework through a GO. As and when AP Financial Code is revised the asset register policies should be codified.

b. Create an Asset Management Cell in Finance Department by placing suitably qualified personnel to immediately take up the responsibilities.

c. Issue an RFP for preparing the software for asset register and select a suitable vendor.

d. Formally adopt DDO code used by the Treasuries for office code and lay down guidelines for allotment for office code in future.

e. Hold discussions with Public Works (Irrigation) departments to ascertain the types of assets held by them that are required to be captured in the Asset Register.

Action by AMC

f. Prepare and issue Asset Codification Handbook with guidelines.

g. Issue an Asset Manual based on this report for guidance of all offices.

h. All government buildings should have the rooms, halls, hallways, lobbies, etc. suitably numbered. For this AMC may develop guidelines and standards.

i. Prepare a simple training module to train the enumerators on physical stock taking of assets.

j. Simultaneously work on valuation methodologies that may be adopted in course of time to value the assets.

Action by Heads of Department / Office

k. Create an Asset Management Section in their headquarters for guiding the preparation of asset register in the department.

l. Sufficient number of enumerators should be trained by each department to inventory the assets in all offices under its control.

m. By the time software is ready, the data collection by enumerators should be completed so that the data entry can proceed.

ii)   The government may chose to implement the asset register framework in phases, in which case it may pilot it in two to three departments and roll it out in the rest of government in due course.

iii)   The framework proposed in this report provides foundation for a full-fledged asset management framework or system. It also provides basic data in case the government should decide to switch over to accrual / resource based accounting. The fully developed asset management framework would provide linkages with asset performance (e.g. downtime of systems, efficiency ratios, etc.), decisions relating to asset maintenance and replacement, capital and maintenance budgeting and financing (debt management) them and so on. Once the asset register is firmly established, government may like to take this forward by setting up a comprehensive asset management framework.

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