



KENYA PLANT HEALTH INSPECTORATE SERVICE

STANDARD OPERATING PROCEDURE

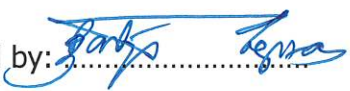
Department: Finance and Accounting

Revision No:0

Issue No:01

SOP FOR FIXED ASSET MANAGEMENT

SOP/KEPHIS/FIN/02

Issued by: 

Deputy Director Finance & Accounts

Date: 27/07/25

Approved by: 

Director Corporate Services

Date: 27/01/2025



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1. Purpose

This document establishes procedures for accounting of Fixed Assets as per relevant procurement laws and Accounting Standards. It emphasizes on the identification of Fixed Assets and its recording in Fixed Assets Register & its periodical physical verification.

1. Scope

This document will apply to the assets managed by the corporation at all its units. It would also emphasize on the additions and deletions made to the fixed assets register while focusing on the proper documentation of these assets.

2. References

- 2.1. Asset Policy
- 2.2. IAS 16
- 2.3. IPSAS 45

3. Definition/ Abbreviations/ Acronyms

- 3.1. IAS International Accounting Standards
- 3.2. IPSAS International Public Sector Accounting Standards
- 3.3. DDF&A Deputy Director Finance and Accounts
- 3.4. MSCM Manager Supply Chain Management

4. Responsibility

Fixed Asset Budget and classification	DDF&A
Acquisition of fixed assets	MSCM
Accounting treatment of fixed asset	DDF&A
Depreciation	DDF&A
Sale and Discard of fixed asset	MSCM



WIP	DDF&A
Revaluation of Assets	DDF&A
Impairment of assets	DDF&A
Fixed Asset Tagging and Coddling	MSCM
Fixed Asset Register	DDF&A
Asset Verification	MSCM



5. Schematic Representation

Fixed Asset management						
Sources of Inputs	Inputs	Activities	Outputs	Receivers of Outputs	Risks	Checks/ Controls
▪ Departments ▪ Regional offices	▪ Fixed Asset Register ▪ Approval Memos ▪ Invoices ▪ Commissioning certificates	▪ Budgeting ▪ Procuring ▪ Accounting ▪ Tagging ▪ Verification ▪ Valuing ▪ Impairment	▪ Fixed Asset Register ▪ Valuation Report ▪ Impairment Report ▪ Budget ▪ Procurement Workplan ▪ Verification taking reports ▪ Impairment Report	▪ BOD ▪ Management	▪ Unreliable financial statements ▪ Loss of assets ▪ Inaccurate fixed asset register	▪ Segregation of duties ▪ Verification

6. Procedure

6.1. Fixed Asset Budget Procedure

6.1.1. The head of units identify the fixed asset gap and forward the requirement to procurement department for consolidation.

6.1.2. The consolidated fixed asset requirement list is forwarded to finance management committee for rationalization.



6.1.3. The rationalized fixed asset budget is adopted by finance department for inclusion in the organizations budget and procurement department for inclusion in the organization's procurement plan.

6.2. Fixed Asset Classification

The fixed asset shall be classified under the following categories

- Freehold land
- Buildings
- Plant and Machinery
- Motor Vehicles
- Office Equipment
- Furniture and fixtures
- Laboratory Equipment
- Computers and Accessories
- Intangible Assets

6.3. Acquisition of Fixed Asset

The fixed assets shall be acquired as per the procurement SOP

6.4. Accounting treatment

6.4.1. Date

- If asset does not require commissioning, the capitalization date shall be the date of receipt of the asset.
- If the asset requires commissioning, the capitalization date shall be the date of commissioning certificate. Until that date, the asset shall be accounted as work in progress (WIP)

6.4.2. Value

- The value of the asset shall include
 - i) The purchase price
 - ii) Duties and taxes
 - iii) Freight



- iv) Installation charges
- v) Any other cost directly associated with bringing the asset to useful state.

6.5. Depreciation

6.5.1. The depreciable value of the assets shall be the cost or valuation value of the asset less residual value

6.5.2. The depreciation rates applicable shall be;

- Freehold land – nil
- Buildings 2%
- Plant and Machinery 12.5%
- Motor Vehicles less than 4500cc 16.67%
- Motor Vehicles above 4500cc 10%
- Office Equipment 12.5%
- Furniture and fixtures 12.5%
- Laboratory Equipment 12.5%
- Computers & Accessories 30%
- Intangible assets

6.5.3. Applicable residue Value

- Plant and Machinery 10%
- Motor Vehicles 10%
- Furniture and Fixtures 5%
- Laboratory Equipment 5%
- Computers and Accessories 5%
- Office Equipment 5%

6.6. Sale and Discard of fixed asset

6.6.1. Sale

- The date of sale shall be the date on which the right over the asset is sacrificed
- The value shall be disposal value.



6.6.2. Discard

- The discard date shall be the date the asset is retired from use
- The value shall be determined by valuation as lesser of net book value or net realizable value.

6.7. Work in Progress (WIP)

These are assets which are not complete to be used. All expenses in relation to the WIP will be debited to WIP A/c. When the asset is completed & ready to be used then Amount will be transferred to the Respective Asset A/c. Quarterly review will be done in order to ensure that expense in relation to WIP is debited to WIP A/c & not in the respective expense A/c.

6.8. Revaluation of assets

6.8.1. The assets shall be valued based on its historical cost. The valuation shall result in higher or lower value than the net book value.

- Higher value than the Net book Value
 - i) If the increase does not relate to previous decrease, then the difference shall be credited in the revaluation reserve.
 - ii) If the increase relate to a previous decrease, the value equivalent to previous recognised decrease shall be credited to the statement of performance and the remaining amount credited to the revaluation reserve.
- Lower value than the Net book Value
 - i) If the decrease doesn't relate to previous increase, the difference will be charged to the statement of performance
 - ii) If the decrease relate to previous increase, the recognised increase will be debited in the revaluation reserve and the remaining value debited in statement of position.

6.9. Impairment of assets.



The organization shall assess the recoverable amount of its fixed assets annually and consider the need to impair them based on both internal and external factors. Where the recoverable amount is less than the carrying amount, the difference shall be charged to the statement of position as impairment loss.

6.10. Fixed Asset Tagging and Coddling

All procured assets apart from Land, shall be tagged upon delivery and the number registered in the fixed asset register. This will assist in tracking the movement of the asset as well as annual verification of the asset.

6.11. Fixed Asset Register

The register shall show all permanent assets owned by the organization. It will disclose the value, quantity and location of the asset.

6.12. Fixed Asset Register Alteration

The fixed asset register shall be updated every quarter to recognise the following

- Additional Assets
- Sale or discard of the asset
- Provide depreciation
- Asset Location transfer

6.13. Asset Verification

Assets shall be verified every three years to ascertain the accuracy of the fixed asset register.

6.13.1. Composition of the team: the team shall comprise representatives from;

- Procurement department
- Finance and Accounts department
- Internal audit department



- Representative from user department.
- 6.13.2. Physical verification exercise
- Intimation by Director Corporate Services to unit heads communicating the team, date and the procedure
 - Physical verification by the teams on the stated dates and locations
 - Taking report done and signed by different teams
 - Taking reports reconciled with the fixed asset register to identify variances
 - Report on variance presented to management for adjustments authorization.
 - Fixed asset register adjusted accordingly.

7. Records

- 7.1. Fixed Asset Register
- 7.2. Payment Vouchers
- 7.3. Verification taking report
- 7.4. Revaluation report
- 7.5. Impairment report

8. Revision Summary

REVISION DETAILS					
REVISION SUMMARY	REASON	DATE	REVISED BY	ISSUE NUMBER	REVISION NUMBER