



# **OWH Asset Management and Inventory Policy**

---

**January 2021**

## Contents

<b>1. Organizational Background.....</b>	<b>1</b>
<b>2. Vision Statement: .....</b>	<b>2</b>
<b>3. Mission Statement.....</b>	<b>2</b>
<b>4. OWH’s Property .....</b>	<b>2</b>
<b>5. Employee Accountability for Issued Property .....</b>	<b>2</b>
<b>6. Receipt and Coding of Assets.....</b>	<b>2</b>
<b>7. Fixed Assets Inventory (FAI).....</b>	<b>2</b>
<b>8. Periodic Inventory Count of Property .....</b>	<b>3</b>
<b>9. Intellectual Property .....</b>	<b>3</b>
<b>10. Depreciation.....</b>	<b>3</b>
<b>10.1 Definition.....</b>	<b>3</b>
<b>10.2 Necessity of Providing for Depreciation .....</b>	<b>4</b>
<b>10.3 Method of Charging Depreciation/Amortization .....</b>	<b>4</b>
<b>10.4 Rates/Method of Depreciation .....</b>	<b>6</b>
<b>10.5 Leased Assets .....</b>	<b>6</b>
<b>10.6 Disposal/Deletion.....</b>	<b>6</b>
<b>10.7 Disposal of Motor Vehicles .....</b>	<b>6</b>
<b>10.8 Tangible Fixed Assets and Depreciation.....</b>	<b>7</b>
<b>12. Message by the Management Team .....</b>	<b>10</b>
<b>13. Revision of the Policy.....</b>	<b>10</b>

# OWH's Property and Inventory Management

## 1. Organizational Background

OWH is a non-political, nonpartisan, nonprofit and independent organization founded in 2017. The organization was registered with the NGOs Department of the Ministry of Economy of the Islamic Republic of Afghanistan in the year 2010 with the registration # 4261.

OWH is formed by private initiative, resulting from the voluntary actions of individuals who have chosen to pursue a shared interest and concern.

OWH is a joint mission of experienced specialists, trainers, volunteers and researchers who have been working on the strategic level positions with national and international NGOs and Charity providers since more than a decade. Owing the opportunity; the members having appropriate experience, dedication, voluntarism and have gathered to professionally contribute to the health, Educational, Agriculture, Human Rights, Research and development systems and to achieve more sustainable results.

The core staff of OWH has years of successful experience of being directly involved in developing different policies and implementation of the different projects funded by almost all the national and international donors, in the areas of Human Rights, Health, Education, Development , Research and many other service delivery projects.

The projects handled by the Core staff of OWH are but not limited to BPHS, EPHS, Sehatmandi, MPHS, SPHS, CME, Education, Literacy programs, youth awareness and development, Human rights, improving agriculture and horticulture programs, Water & Sanitation and Hygiene, Nutrition, National Solidarity Programs, emergency response actions, Research, Pandemic and disaster management and coordination of different humanitarian Aids.

OWH management team have rich experience in Supervision, Monitoring, Evaluation, and Researches, producing monthly, quarterly, annual, end of project and ad-hoc reports, and presenting the results of the aforementioned programs at the community, organizational, national and international levels.



### 2. Vision Statement:

OWH's vision is a Developed, Educated, Prosperous, and Healthy community. Where everyone is eligible to the same standards of services without any discrimination and biasness.

### 3. Mission Statement

OWH strive to offer the highest quality of the healthcare, educational, Welfare and livelihood services to the people; by using the proven blend of the ancient and new knowledge's, tempered by the research and experience of the top professionals.

OWH's mission is to provide quality services with a sense of friendliness and individual pride that will be accessible to the wider population.

### 4. OWH's Property

OWH's property, including assets and supplies purchased or received in kind or contractually rented, are seen in the same light as its finances; and loss or misuse will be addressed in the same manner as the loss of funds.

### 5. Employee Accountability for Issued Property

Employees are responsible to immediately account in full for any property issued to them. Inability to account for issued property or damaged to property may result in demand for repayment and disciplinary action including termination of employment in cases deemed to be the result of negligence.

### 6. Receipt and Coding of Assets

All assets (reusable items, e.g. vehicles, furniture, computers or office equipment) are to be assigned and have affixed to them an individual identification number, which will be recorded in inventory records for assets and referenced in all future movements and periodic accounting of the item.

### 7. Fixed Assets Inventory (FAI)

All donors require Fixed Assets Inventory report at the time of termination of the project. It is very important for an organization to keep track of the location condition, and use of all fixed assets purchased. It is the responsibility of the Administration and Logistics department to keep

up to date FAI. All fixed assets must be physically checked periodically (Preferably twice a year, at absolute minimum annual)

In addition to the above, each donor's specific instructions and requirements (source/origin, restricted items. Purchase of a vehicle, purchase of a used equipment etc) must be met accordingly. STA, GRN, FAI, DS, GP also apply to the donated materials and assets.

Any deviations from the above policy must be documented, receive prior approval, and be on record.

### **8. Periodic Inventory Count of Property**

---

As it is common practice for donors to periodically request full inventory of items purchased by OWH with their funds, all units and personnel within OWH are expected to be prepared to provide a full accounting of all items issued to them or under their responsibility on notice. Any new item purchased or transferred must be immediately entered into the inventory in each location. A total physical inventory count must be done, preferably every 6 months, but definitely once a year prior January 1<sup>st</sup>.

### **9. Intellectual Property**

---

All reports, proposals, internally developed computer programs and related materials developed by OWH are considered as the intellectual property of OWH and, as such, employees may not distribute such items outside the agency without the prior written approval of the General Director.

### **10. Depreciation**

---

#### **10.1 Definition**

---

Depreciation is the measure of wearing out, consumption or other loss in value of a fixed asset whether arising from use, passage of time or obsolescence through technology and market changes.

Provision for depreciation of fixed assets having a determinable future life should be made by allocating the cost (or the revalued amount) after deducting the expected residual value of the

asset as fairly as possible to the periods which are expected to benefit from the use of such assets.

### **10.2 Necessity of Providing for Depreciation**

Depreciation accounting is a procedure which aims to distribute the cost of fixed assets employed in a business over the estimated useful life of the assets. Provision for depreciation is in fact setting aside out of revenue of an accounting period an amount which represents the loss in value of the asset in course of that period. It is also an attempt towards establishing the true & fair picture of the state of affairs of a business and the value attributable to the assets as disclosed in the Balance Sheet.

### **10.3 Method of Charging Depreciation/Amortization**

Method of depreciation used shall reflect the pattern in which asset's future economic benefits are expected to be consumed by the organization. Reducing balance method of depreciation should be used for the organization. Provision for depreciation on fixed assets shall be adjusted in the books of account as under:

- a) The rates and method of depreciation will be approved by the Board of Directors and reviewed from time to time. The depreciation method and rates used by the organization shall be reviewed at least at the end of each financial year. The rates are noted below:

<b>CLASS OF ASSETS</b>	<b>ANNUAL RATE (%)</b>
Leasehold land	Amortized over period of lease
Building	10
Machinery & Equipment	15
Office Equipment	20
Electrical Equipment	15
Loose Tools	10
Furniture & Equipment	15
Vehicles	15
Computers	30

- b) During construction, erection and up to the time the project becomes fully operative, depreciation on buildings, machinery and equipment shall not be charged. However, in case of furniture, fixture, office equipment and transport vehicles, depreciation shall be

charged in the normal manner. However depreciation on buildings and machinery and equipments shall be charged as soon as the project is declared complete and commences commercial operations.

- c) Additions made to the fixed assets shall be depreciated on systematic basis at the approved rate  
  
for the period asset remains in use during the year.
- d) Depreciation shall be provided provisionally in the accounts on a monthly basis by charging depreciation expense account and crediting “Accumulated Depreciation” for each category of assets separately as indicated in the Accounting Code.
- e) At the end of the financial year actual expenditure for the full year shall be worked out and the difference between the provisional and actual charge if any, will be adjusted in the books.
- f) The necessary entries of actual depreciation charged for the period and the balance reconciled with the control account regularly.
- g) Where an item of fixed assets has been completely written down, its scrap value or a token amount shall be shown as its written down value for physical control purposes, up to the time of its final disposal.
- h) When a fixed asset is disposed off during the year, depreciation, for the period asset remains in use, shall be charged for that year.
- i) On the disposal of fixed assets, the difference between the written down value and the amount realized from the sale of such asset shall be accounted for in the income and expenditure account as gain or loss on disposal of fixed assets.
- j) Fixed assets schedule shall be prepared every month in support of monthly financial statements.
- k) Efforts would be to establish a depreciation fund. Amounts equal to annual depreciation would be transferred to such fund to add needs for acquisition /replacement of assets.

Similar fund may be established for repairs and maintenance.

### 10.4 Rates/Method of Depreciation

Rates/Method of depreciation duly approved by the Board of Directors, which are applicable to various items of fixed assets is noted above for general guidance of the project. Prior approval of the Board must however be obtained for any departures from such prescribed rates.

### 10.5 Leased Assets

In case of any acquisition of Assets on lease the Organization will ensure the disclosure requirements of International Accounting Standard (IAS) And International Financial Reporting Standards (IFRS) in addition to the above mentioned procedure for recording of fixed assets.

### 10.6 Disposal/Deletion

Any assets bearing a cost of more than the limits prescribed will be deleted after obtaining specific approval of the Board of Directors. The assets that are to be deleted shall be sold through auction and sealed bids shall be called in this regard. The bids shall be opened in the presence of the contesting parties. Thereafter a comparative statement will be prepared and the assets shall be sold to the highest bidder. All the documents will thereafter be sent to the Accounts department for incorporating the accounting entries for sale of asset.

### 10.7 Disposal of Motor Vehicles

Disposal of Motor vehicles would be through open tenders. Such tender notices must have two to three weeks of time for the respondents to submit their bids. Tender Notice published in the news paper must have following information:

- Full specification of motor vehicle
- Model, year of manufacture, registration
- Time, date and place for submission of tenders
- Tender opening schedule
- Detail of security deposit if any



The applicant would submit a security amount, which be approved by Director, for each vehicle, this security amount would be refundable incase of rejection of bid or would be adjusted in price if bid is accepted.

### 10.8 Tangible Fixed Assets and Depreciation

Following policies relating to tangible fixed assets would be given in the financial statement:

- Tangible fixed assets are carried at cost/ revaluation less accumulated depreciation.
- Depreciation on fixed assets, other than leasehold land, is charged to income and expenditures, using reducing balance method. Leasehold land is amortized equally over the period of lease.
- Full month depreciation charged on assets acquired and retired/ disposed off during a specific month.
- Maintenance and normal repair are charged to income as and when incurred. Major renewals and improvements are capitalized.
- Gain or loss, if any, on disposal of operating fixed assets acquired from the Organization's funds are included in the income of the period. Loss on disposal of assets acquired through Government advances are set off against such advances for shares to be issued.

## 11. INVENTORY CONTROL

### 11.1 Warehouse Inventory

Items received must be entered into an inventory tracking sheet. The primary purpose of this is to enable Procurement and Logistics Department to report specific information to the donor projects in a prompt and accurate fashion, the inventory should be maintained on an Excel spread sheet.

#### a. Purpose

The inventory or stock control is the definite check on all items held by the ware house. It should be carried out at the end of each month and at the end of each project or grant. The inventory is

designed to ensure against weak/incomplete documentation, theft or negligence by staff, and to identify potential problems at an early stage. An inventory control will check that:

- records are up to date
- records are complete
- quantities received, recorded and dispatched are correct
- materials are in good conditions and are correctly stored

Inventory check must be documented, signed and approved by the Procurement and Logistics Manager and those staff who participated in the control. This documentation must be available for internal and external audit purpose.

### b. Carrying out an Inventory Check

A valid inventory check requires time and concentration. It cannot be realistically carried out at the same time as normal warehouse activities, therefore, a cut-off point must be made and the check undertaken outside of working hours or the facility closed for the period of time it takes to complete the check.

There are two parts of the inventory check:

- Checking the physical stock as against the inventoried stock, and
  - Verifying that stock movement records support the documented records
1. Generate the full inventory as of the cut-off point based on warehouse documentations.
  2. Generate an inventory list without the current stock levels. This is the form that staff will complete as they physically count each item held in the stock.
  3. Make the physical count.
  4. A supervisor will undertake random counts behind the counting team to verify the accuracy.
  5. Complete the physical count with the inventory generated at the cut-off point.
  6. Where there are discrepancies, check back through warehouse documentation for errors or omissions and make a physical recount of the items.

7. Whether there are discrepancies or not, select a manageable number of control items to check in details. A supervisor should take representative selections, including high and low turnover items as well as “small “items.
8. For control items, check that all relevant documents are cross referenced to each other. Check total number of quantity received, total quantity dispatched and current stock record quantity. Quantity dispatched plus quantity in stock should equal to quantity received.

### c. Stock Level Adjustments

Should a discrepancy be noted between the documented and physical stock levels, the Procurement and Logistics Department and Store Keeper have responsibility to fully investigate the Bakhtar Development Network (OWH) circumstances, determines if possible the cause of the difference and to take the appropriate actions to prevent a recurrence of the error. The following steps should be taken:

1. Check the receipt and dispatch documentations for any mathematical error.
2. Check that the warehouse registers agree with the documentations.
3. Check that the items have not been stored in elsewhere.
4. Question both warehouse and security staff.
5. Check for un-authorized entry.

Should the deficit be due to mathematical or documentary error, correct the appropriate entries. Note that when making corrections, entries should be crossed through with a single line and the correct entry made next to it. The corrections should be initiated by the Procurement and Logistic Manager and explanatory notes attached if necessary.

Should the deficit be due to a theft, the Procurement and Logistic Manager must take the appropriate actions, including police involvement where applicable. Besides investigating the theft, a police report will be required for any insurance claim.

### d. **Systematic Control Procedures (Check and Balance Controls)**

Internal control mechanism that guards against fraud and errors due to omission. In a system with checks and balances, the authority to make a decision, and the associated responsibility to verify its proper execution, is distributed among different departments. These departments are kept logically and physically apart, and no one department can complete a transaction all on its own. For example, the purchasing department orders goods, the stores-department receives and compares them with the respective purchase orders, the quality assurance department inspects and verifies their quality, the accounts department verifies the invoice amount, and only then the comptroller authorizes the payment for the purchase.

This process emphasizes interdependence without interference, and creates a data trail or paper trail for auditing.

### **12. Message by the Management Team**

---

OWH management team is thankful to all the employees for their effort in the finalization of the policy and for bringing the Organization to this position.

Thank you for everything you do for making OWH a successful and terrific place to work.

OWH believes that all the rules and regulation must be formed to the best interest of the Organization, the sector of its operation and to the wider population.

### **13. Revision of the Policy**

---

OWH reserves the right to revise, modify any or all clauses of this policy depending upon the need of the day and after making discussion in the board meetings.