

UK Aid Match and UK Aid Direct asset management and disposal guidebook

This guidebook provides an overview of the policy and procedures around asset management and disposal for UK Aid Match and Direct grant holders in line with the Department for International Development (DFID) Smart Rules.

Definition of project assets on UK Aid Match and Direct

Any equipment and supplies purchased using DFID funding are defined as project assets if:

1. They have a useful life of more than one year.
2. The purchase price or development cost of the asset is in excess of £500 (or equivalent in local currency).
3. The purchase price or development cost of the group of lower value items (e.g. pharmaceutical products, assistive devices, relief packs, etc.) is in excess of £500 or equivalent in local currency combined.
4. Can be considered an attractive item regardless of cost (e.g. mobile phones, cameras, laptops, tablets, satellite phones, motorbikes, etc.).

Accountable grant arrangement conditions

The grant holder is required to maintain an inventory of all such asset items. An up to date asset inventory must be submitted to the Fund Manager, acting on behalf of DFID, on at least an annual basis, and in the format of the asset inventory template in Annex 3 of this guidebook. The submission of the asset inventory alongside the project Annual Review is mandatory.

The grant holder will be accountable to DFID for the appropriate use and control of this inventory, in line with project objectives. Ultimate ownership of this inventory will remain with DFID and any ownership transfer, after project completion, will be discussed and confirmed in writing by the Fund Manager.

DFID expects the grant holder to cover the cost of repairing or replacing lost, stolen, damaged or destroyed assets and it is expected that all grant holders have a depreciation policy which must be provided alongside the project asset inventory on an annual basis. The policy should outline how the residual values of the assets will be calculated over the lifetime of the grant.

Please refer to the clauses under the subheading **Assets and Inventory** within your accountable grant agreement for the full details on your contractual requirements around managing and disposing of project assets.

DFID Smart Rules for asset disposal

According to the DFID Smart Rules at the end of a programme the Fund Manager, on behalf of DFID, will consider how to maximise the value from the disposal of any existing equipment and assets. The assumption is that DFID will get best value for money by selling programme assets or by retaining

them for its own use by transferring them to other programmes funded by DFID. However, if this is not possible (e.g. if the cost of selling the assets or using them elsewhere exceeds their value), then assets can be transferred to the existing delivery partner or a third party.

It should not be automatically assumed that project assets will remain with the local partners after completion of the grant. In particular, any vehicle assets (cars or motorcycles) held by the grant holder will be offered to other DFID programmes before alternative scenarios are considered.

If DFID confirm that they do not have a use for the vehicle asset and it is not cost-effective to sell the asset, then the Fund Manager in conjunction with DFID will consider a proposal to transfer the asset to the grant holder, delivery partner or suitable third party.

In order to avoid complicated disposal arrangements at project closure, it is requested that large value assets are not purchased using split funding from DFID and other match funders. It is strongly recommended that such assets are bought with the match funding contributions where possible. While cars cannot be purchased as part of the DFID funded project budget, the leasing of vehicles could be approved as an eligible project cost if there is clear justification provided around the need and value for money of the leasing arrangement.

Before agreeing to a transfer of ownership to a grant holder or their downstream partner, as Fund Manager we must be satisfied on the following points:

- The asset will be put to a good developmental purpose
- The recipient has adequate resources to maintain and operate the asset, including purchase of any consumables
- The item will not be sold or disposed of, or diverted for another purpose, within a reasonable time period
- The recipient has adequate controls in place to ensure that the assets are used as intended
- Any local requirements, regarding duties and taxes, or any other formalities, on transfer will be met
- IT equipment is disposed of in line with EU Waste Electrical and Electronic Equipment (WEEE) Regulations and all personal data will be removed

It is important to note that all branding should also be removed from the assets at the point of transfer in order to avoid any potential reputational damage in the event that the assets are misappropriated following the closure of the project.

Asset management and disposal process

You can find a process map for project asset management and disposal in Annex 1.

In practice, by maintaining a clear asset inventory throughout the programme, project teams should be able to plan for disposal well in advance of project end dates. Early forward-planning is especially important in situations where grant holder organisations are due to exit the project country following closure of the grant.

There are three stages in the asset management process:

1. Identification and procurement of assets
2. Ongoing maintenance of an asset inventory
3. Asset disposal at the end of the project

1. Identification and procurement of assets

During development of the project budget, the grant holder should identify the assets required for the delivery of the project in country. To enable the Fund Manager to sign off the project budget, the grant holder should have a clear value for money justification for the purchase of the required assets, as well as a clear plan for the ongoing management and maintenance of the assets. For the procurement of the asset itself, grant holders are advised to follow best practice, including avoiding single source procurement, using trusted suppliers, and securing three separate quotes for comparison.

Actions for the grant holder

- Identify all assets required for the delivery of the project, alongside a clear justification for their need.
- Procure the project assets using an effective process, which ensures the assets are purchased and maintained at a cost that delivers value for money. Determine a clear and reasonable plan for the ongoing management and maintenance of these project assets.
- Record all purchased assets in the asset inventory template in Annex 3 of this document. There is guidance within the template that outlines what level of detail is required in each column and which sections need to be filled out at annual review and three months prior to project closure. However, please note the following important points when completing the asset inventory:
 - Only assets bought with DFID funds are reported.
 - Any capital items that are purchased that do not meet the asset definition outlined above do not need to be included.
 - Purchase price needs to be stated in British pounds sterling, not local currency.
 - For any vehicle assets (motorcycles, cars, tractors etc.), the make, model, registration plate, engine size, fuel type mileage of the vehicle and date of purchase need to be recorded.
 - For vehicle assets, any important mechanical issues and overall condition needs to be detailed.

2. Ongoing maintenance of an asset inventory

It is expected that throughout the lifespan of the grant, assets may be purchased to aid project activities. In keeping with the accountable grant arrangement conditions, a record of these assets must be kept, updated and submitted to the Fund Manager, acting on behalf of DFID, on an annual basis, identifying and detailing:

- All applicable project assets
- Current location
- Current ownership
- Current condition
- Purchase and residual value
- Anticipated years of life
- Proposed intention with the assets following project completion.

A depreciation policy will also need to be submitted alongside the updated asset inventory.

Actions for the grant holder

- Annually submit an updated asset inventory (Annex 3) and depreciation policy to your Performance and Risk Manager (PRM) alongside the annual report and supporting documents.

3. Asset disposal at the end of the project

According to the DFID Smart Rules, at the end of a project the Fund Manager, in conjunction with DFID, will consider how to maximise the value for money from the disposal of any existing equipment and assets.

At the end of a project there are multiple ways to dispose assets:

- Transfer of ownership to another DFID programme.
- Sale of asset by the grant holder and return of funds to the DFID programme in order to maximise value for money.
- Transfer of ownership to the grant holder, its downstream partner or a suitable third party for continuity and sustainability of the organisation's project activities.
- Asset write-off, due to the poor condition of the asset or when the asset has reached the end of its useful life.

Actions for the grant holder

Three months prior to the project end date and project closure report submission, the grant holder will need to submit the following documents to their PRM:

- A final and fully executed asset inventory on the template provided in Annex 3. There is a section of the template that needs to be specifically filled out at project closure and there is guidance within the template around the level of detail expected.
- The organisation's depreciation policy, which breaks down how the annual depreciation figures and residual values have been calculated.
- For any vehicle assets (cars, motorbikes, tractors etc.), a local valuation from a dealer will need to be provided as supporting documentation in order to verify the residual value of the asset at project end.
- An asset transfer letter will need to be drafted using the template in Annex 2 and signed by all parties on the grant holder's letterhead if the grant holder plans to transfer assets to their organisation, their downstream partner or a third party at project closure. If the assets are proposed to be divided between multiple recipient organisations at project closure, an asset inventory and transfer letter will need to be completed for each of the proposed recipients.
- If the assets are to be transferred to another DFID programme for continued developmental use, the grant holder will be put in touch with the relevant DFID office to coordinate the asset transfer.
- If the assets are to be sold in order to maximise value for money, the grant holder will need to organise the sale of the assets and return the funds to the DFID programme. Proof of sale at value market price will need to be provided.
- If the assets need to be disposed due to the condition of the asset, evidence of this need to be submitted to the Fund Manager. If a damaged asset is beyond repair, photo of the damage will need to be provided accompanied by a signed statement from the grant holder's Director, Head of Finance or equivalent which states the asset is beyond repair. For vehicle or larger value assets a valuation from an approved dealer will need to be provided, alongside a letter from

the grant holder. Evidence of scrapping will need to be provided following DFID's approval of the disposal.

- All asset disposal documentation will need to be shared with the PRM for audit purposes. The retention payment will not be released for a closed project until all this documentation is received by the PRM.

Important points to note when drafting asset transfer letters:

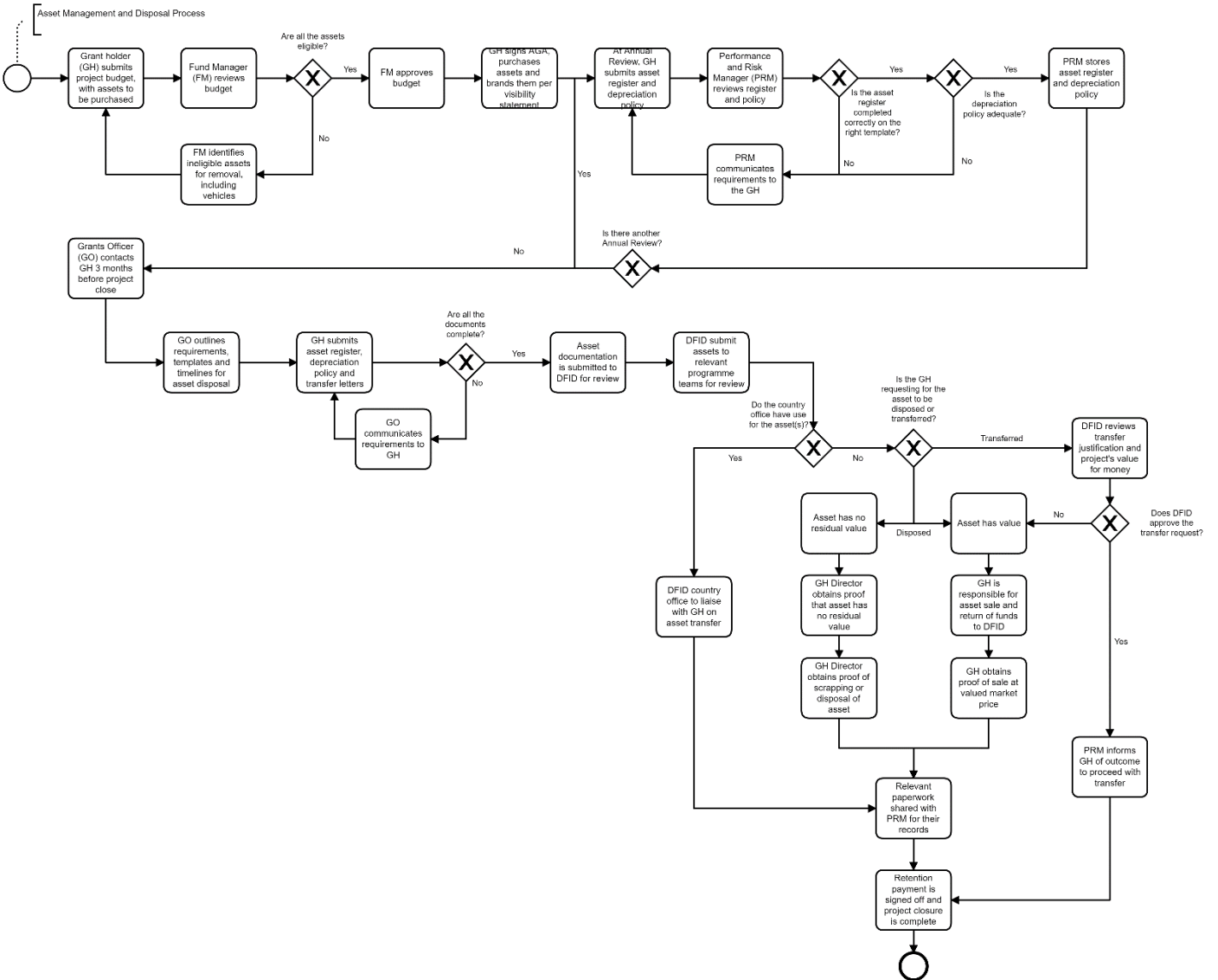
- The letter should be submitted to the Fund Manager (acting on behalf of DFID) for approval, before any commitment is made to proposed recipients of the assets.
- The asset transfer letter must be signed by the grant holder and countersigned by the agreed asset recipient.
- The transfer letter should be submitted alongside an asset inventory listing the specific assets to be transferred to the proposed recipient. Like the letter, it must be signed by the grant holder and countersigned by the agreed asset recipient.
- By signing the letter, the stakeholder commits to continue to put the assets to good developmental use and abide by the DFID Smart Rules conditions of transfer.
- It is recommended to outline a strong justification to support the transfer request within the letter. It is important to consider sustainability in any justification for asset transfer to the grant holder or downstream partner.
- If you feel that you have a particularly compelling case to take ownership of a vehicle asset on the grounds of sustainability of project activities, substantial justification needs to be made in the asset transfer letter proposal. Only cases that have very strong reasoning and evidence behind the justification will be considered ahead of the usual asset disposal process.
- If the asset transfer request is approved, DFID will countersign the letter and the PRM will return the fully executed letter to the grant holder before releasing the retention payment on the closed project.

Please note that any transferred assets may be subject to a DFID ad-hoc inspection for a period of 12 months following the date of transfer, to ensure that the assets are continuing to be used for good developmental purposes.

The PRM and Grant Officers assigned to your UK Aid Match or UK Aid Direct grant will be able to answer any additional questions you may have regarding the policy and procedure of asset management and disposal during your grant period.

ANNEX 1: Asset Management Process Map

Please zoom to see detail



ANNEX 2 – Asset Transfer Letter Template

Template for Asset Transfer Letter

Please present and sign this letter on your organisation's letter head and return to your PRM alongside the final and fully executed version of your asset inventory and your depreciation policy. Please do not assume that assets will automatically remain with your organisation or local partner once the letter is signed. The transfer of the assets will only be approved once your PRM has notified you and returned this letter signed by the Fund Manager.

<insert date>

Dear Sir/Madam,

Re: Transfers of assets
Project Ref: <insert project number>
Title: <insert title>

Asset Transfer to your organisation, downstream partner or third party

Following the successful closure of the above project and in line with DFID's policy to ensure continuity and sustainability of project achievements following completion, we have this day transferred the ownership and use of all project assets in the attached Annex: Asset Inventory to project beneficiary partner <insert name> subject to your final consideration of approval stated below.

Our justification(s) for asset transfer(s) to this partner are as follows:

<Please detail your justification for asset transfer here, including how the assets will be used after project closure>

1. **EXAMPLE:** The implementing partner will continue monitoring the activities of the project and will require transportation for the field officers.
2. **EXAMPLE:** The implementing partner will have to mobilise funds (write proposals) using the laptops in order to upscale the activities informed by the learning from the project. The laptop will also aid the partner in writing field monitoring reports.
3. **If the assets are not being used for sustainability of the current project, please explain in detail the proposed use.**

We jointly commit to abide by the conditions of transfer as follows:

1. The asset will be put to good developmental use(s)
2. The recipient has adequate resources to maintain and operate the asset, including purchase of any consumables
3. The item will not be sold or disposed of, or diverted for another purpose, within a reasonable time period
4. The recipient has adequate controls in place to ensure that the assets are used as intended
5. Any local requirements, regarding duties and taxes, or any other formalities, on transfer will be met.
6. IT equipment is disposed of in line with the EU Waste Electrical and Electronic Equipment (WEEE) regulations and all personal data will be removed.

We, by joint signatory to this letter assert truthfully, that the assets here mentioned have been fully transferred from the use and ownership of <grant holder> and fully received for use and ownership by <recipient>.

On behalf of <grant holder organisation>

On behalf of <beneficiary organisation> (if applicable)

.....
SIGNATURE

.....
SIGNATURE

.....
NAME & DATE

.....
NAME & DATE

ANNEX 3 – UK Aid Match and Direct Asset Inventory

Please find below the asset inventory template that needs to be filled and submitted annually alongside the annual report documentation and at three months prior to the end of the project. Please ensure it is signed and submitted in excel format.



UKAD and UKAM
Asset Inventory