



PROPERTY, PLANT & EQUIPMENT POLICY

Version 1.0

Foreword

The development of the Agenda 2063 and the first 10 years implementation plan represents a significant milestone for the continent with the clear articulation of “The Africa We Want” and our strategic priorities. In support of the African Union Commission’s (AUC) 2014 Strategic Plan and Agenda 2063, essential elements for the success of the African Union Vision, the AUC is proceeding to an overall institutional transformation to ensure the Union delivered on its mandates and achieve its vision of being “An integrated, Prosperous and Peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena.”

In light of the above, the African Union (AU) has the ambition to further enhance its effectiveness and efficiency to constantly adjust its operations to the evolving needs of the continent and drive its integration and institutional transformation process, a prerequisite for organization capacity and system enhancement, which is required to support it.

Following the revision of the Financial Rules and Regulations (FRR) in 2014 as well as the adoption of the International Public Sector Accounting Standards (IPSAS) for both financial reporting and accounting for resources, the Policy on Property, Plant and Equipment (PPE) had been developed to guide and align the management and accounting of all assets of the Union with the view to ensure clarity and efficiency on the accountability of its tangible and intangible assets located in all its Organs and Technical Agencies; Regional, Representational and Technical Offices; as well as AU Peace Keeping Missions and Liaison Offices.

The Policy draws its authority from the AU Financial Rules and Regulations Article 55-58, 61-62 and AU IPSAS Framework. Property, Plant and Equipment make up an essential component of the Union’s Assets as they represents the investment of our Member States. As such, all persons and entities with responsibilities that involve the management and accounting of AU assets shall comply with this Policy with the view ensuring that the property, plant and equipment are well maintained, utilized, accounted for, controlled and disposed.

The Policy covers the accounting and control of assets which include among other the recognition, tagging, transfer and movement, physical verifications, security and safety, risk and insurance, repair and maintenance, write-off and disposal of property. The Policy is structured around five major parts which provide a high-level guidelines for management of PPEs, Accounting of PPEs, Management of Intangible Assets, Accounting for Intangible Assets and Roles and Responsibilities of all stakeholders.

I therefore call upon all parties to make maximum usage of this Policy in their daily operations so as to ensure positive impact on the effectiveness and efficiency on the management, accounting and utilisation of the Union resources.

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Nkumama

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Abbreviation & Accronyms

AMR:	Asset Master Record
AU:	African Union
BoS:	Board of Survey
CLB:	Continental Logistic Base
COE:	Contingent Owned Equipment
FRR:	Financial Rules and Regulations
GRN:	Goods Received Note
IA:	Intangible Assets
IFAC:	International Federation of Accountants
IPSAS:	International Public Sector Accounting Standards
IPSASB:	International Public Sector Accounting Standards Board
IRC:	Inspection and Receipt Committee
MOU:	Memorandum of Understanding
PBFA:	Programming, Budgeting Finance and Accounting
PPE:	Property Plant and Equipment
SDS:	Strategic Deployment Stocks
SOP:	Standard Operation Procedures
TCC:	Troop Contributing Countries
WIP:	Work-In-Progress

Definitions

WORD OR TERM	DEFINITION
Accounting Officer:	means an officer of the Union with ultimate accounting authority for all resources of the Union and who is also the Chairperson of the Commission ;
Amortization:	means the reduction of the value of an intangible asset over its useful life. Similar to depreciation, it represents the decrease in value over time of the asset;
Assets:	means Resources controlled by AU as a result of past events and from which future economic benefits or service potential are expected to flow to the entity;
Asset ID:	means unique identification number generated within the asset management system for the purpose of tracking and managing assets;
Attractive Items:	means Items with an initial cost or value below the Capitalization threshold but deemed susceptible to theft;
Board of Survey:	means the Board established under the African Union Financial Rules and Regulations;
Building:	means office buildings, warehouses and staff guest houses including common premises and prefabricated construction for which the risks and rewards of ownership have transferred to AU;
Carrying Value:	means the amount at which an asset is valued deducting any accumulated depreciation and accumulated impairment losses thereon;
Capital Improvement:	means costs incurred for an AU asset that extends its useful life or capacity;
Common PPE:	means AU Assets located in an open space intended for utilization by officials, staff members, delegates, visitors and others within the premises of the African Union for which the responsibilities and accountabilities of the assets cannot necessarily be attached to an individual staff;
Communication & IT Equipment:	means the equipment used in producing, receiving or releasing audio-visual communications (such as phone, faxes, TVs and cameras) and equipment used to operate the IT network (such as servers, computers and printers);
Contribution-in-kind:	shall mean resources of goods, services or property received by the Union at no or minimal cost;
Controlling Officers:	means the Deputy Chairperson of the African Union Commission, Heads of Organs or Administrative Heads, of those Organs and Institutions of the Union, where applicable, with accounting authority for resources of their respective Organs and Institutions and who shall be accountable to the Accounting Officer;
Contingent Owned Equipment:	means assets that, through the memorandum of understanding, the Troop Contributing Countries deploy and for which they are entitled to financial reimbursement;

WORD OR TERM	DEFINITION
Copyrights:	means the form of intellectual property that gives the author of an original work exclusive right for a certain time period in relation to that work, including its publication, distribution and adaptation, after which time the work is said to enter the public domain;
Director/Head of Administrative Management	means the Head of a Directorate or department charged with responsibilities of administrative services of an AU organ, Specialized Agencies and Institution;
Delegated Authority:	means any person who lawfully acts on behalf of the Chairperson or Head of Organ of the Union;
Depreciation:	means the systematic allocation of costs of an asset over its useful life;
Director of PBFA:	means the Director of Programming, Budgeting, Finance and Accounting Directorate;
Expenditure:	means the sum of disbursements and expense accruals;
Fair Value:	means the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction;
Fair Value less Cost to Sell:	means the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.
Finance Lease:	means the lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not be eventually transferred.
Financial Controller:	means the Chief Finance Officer of the Union and the Director of PBFA of the AU Commission;
Financial Rules and Regulations:	means the Financial Rules and Regulations of the Union;
Financial Year:	means one (1) financial year beginning from 1 January to 31 December of the same year;
Fixed Assets Inventory:	means the physical and accounting process which entails physical counting of the fixed assets of the Union;
Fixed Assets Verification:	means the physical process which entails ascertaining the presence of Assets at the location provided for their use;
Head of AU Organ:	means a person who heads an organ of the Union other than the Commission as provided for in Article 5 of the Constitutive Act;
Heritage Assets:	means tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture;
Impairment:	means the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation/ Amortization;

WORD OR TERM	DEFINITION
Inspection & Receiving Committee:	means a committee responsible for inspection and receiving Assets and other items established under the Procurement guidelines;
Member of Staff:	means a person employed by the Union on a fixed, permanent, or temporary appointment;
Officer:	means the systematic allocation of costs of an asset over its useful life;
Officials:	means any elected officials or an appointee of an elected official.
Operating Lease:	means the lease other than a finance lease in which the lessor (or owner) transfers only the right to use the property to the lessee. At the end of the lease period, the lessee returns the property to the lessor. The lessee does not assume the risk of ownership;
Organs:	means the Organs of the Union established under Article 5 of the Constitutive Act or as established by the Assembly of the Union;
Property, Plant and Equipment (PPE) :	means the tangible assets that: (a) are held for use in the production or supply of goods and services or for administrative purposes; and (b) are expected to be in use for more than one fiscal period;
Recoverable value:	means the higher of fair value less costs of disposal and value in use.
Regulations:	means the Staff Regulations approved, and as amended from time to time, by the Assembly of the Union, to govern among other things, the status, appointment and basic conditions of service of the staff members;
Residual Value:	means the estimated amount that would be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already at the age of in the condition expected at the end of its useful life;
Rules:	means the Staff Rules approved and as amended from time to time by the Assembly of the Union to supplement the Regulations;
Staff Member:	means any person employed by the Union on a permanent, regular, fixed-term or short-term basis;
Straight-Line Method:	means the way of calculating the depreciation of an asset for accounting purposes on the basis that it will lose an equal amount of value each year of its life. The amount depreciated each year is generally the total cost of the asset divided by its useful life;
Union:	means the African Union established by the Constitutive Act adopted by the Assembly of Heads of State and Government of the Organization of African Unity in Lomé, Togo, on 11 July 2000.



Policy statements

The African Union decided to adopt the Accrual Basis International Public Sector Accounting Standards (IPSASs) as the basis for financial reporting and accounting for resources. The adoption was with full appreciation of the benefits that accrue from the application of this authoritative set of independent international financial reporting standards for the public sector. Furthermore, there was need for the Union to align itself with the many constituents of the International Federation of Accountants' (IFAC) and the International Public Sector Accounting Standards Board (IPSASB) that have adopted, or are in the process of adopting, the accrual basis IPSASs.

This Policy is therefore designed to guide and align the management of, and accounting for, Property Plant and Equipment (PPE) and Intangible Assets (IA) with IPSAS requirements. Considering the significant amount of resources encompassed in these categories of assets, it is also imperative that the policy provides an environment for effective internal controls and accountability, which in turn allows for the efficient and effective utilisation of assets.

The policy considers and builds on all the system-wide platform of IPSAS-compliant policies and guidelines, prepared to facilitate harmonization of IPSAS-compliant financial reporting across the African Union with the Financial Rules and Regulations (FRR).

Part 1: PRELIMINARY



ARTICLE 1: AUTHORITY

1. The Chairperson hereby, promulgates this Policy on Property Plant and Equipment (PPE), hereinafter referred to as PPE.
2. This policy draws its authority from the Financial Rules and Regulations Article 55-58, 61-62 and AU IPSAS Framework. Therefore, shall govern the accounting and management of PPEs and IAs of the Union as stipulated under relevant articles of the financial rules and regulations and IPSAS requirements, except where there are specific provisions to the contrary.
3. The policy may be amplified by the Accounting Officer of the Union through appropriate administrative issuances or directives establishing procedures and instructions for the proper administration of this policy.

ARTICLE 2: SCOPE

1. This policy shall cover items of PPEs including Intangible Assets (IAs) that meet the recognition criteria, including those under finance leases, acquired by the Union including Organs, Specialized Agencies and Institutions.
2. For the purpose of this policy, Heritage Assets shall not be considered as PPEs. However, for management and control purposes, a register of all Heritage Assets shall be established and maintained and periodic verifications performed and documented.

ARTICLE 3: APPLICABILITY

1. The Policy shall apply to all officials and staff of the African Union, its Specialized Agencies and Institutions and is effective immediately upon its adoption by the relevant authorities.
2. In the application of this policy, all officials and members of staff of the Union, its Specialized Agencies and Institutions shall be guided by the principles of effective and efficient financial management and the exercise of economy.

ARTICLE 4: OBJECTIVES OF THE POLICY

The objectives of this Policy are:

1. To establish the regulatory Framework for the Accounting, Management and Control of PPEs;
2. To ensure transparency and accountability in the management and control of PPEs so as to realise real economic benefits
3. To identify and address risks inherent in the management of PPEs systems
4. To ensure completeness and accuracy of PPEs record and financial reporting systems
5. To ensure that the Accounting, Management and Control of PPEs complies with International Public Sector Accounting Standards (IPSAS)

Part 2: MANAGEMENT OF PROPERTY, PLANT & EQUIPMENT (PPE)



ARTICLES 5: PURPOSE OF POLICY

1. This policy shall apply to acquisition, recording, usage, security, control, maintenance, Re-evaluation and disposal of all AU PPEs whether purchased, leased, constructed or obtained through contribution-in-kind.
2. All acquisitions by the AU must be approved by the delegated officials through the laid down procedures. The procedures of acquisitions, authorities and responsibilities will be amplified in manuals and SOPs.

ARTICLE 6: RECOGNITION CRITERIA

1. A PPE item shall be recognized and capitalized when it meets all of the following criteria:
 - i. It is controlled and held for use in the activities of AU;
 - ii. It has been acquired, constructed or developed with the intention of being used on a continuing basis for a period greater than one year; and
 - iii. It has a value of US\$ 3,000 (United States Dollar Three Thousand Only), Self-Constructed Assets US\$3,000 and Intangible Assets US\$10,000 for AUC (HQ) and its Regional, Representational and other offices. For Organs, the threshold for PPEs shall be US\$1,000.00

2. Only expenditure that extends the useful life or service potential of the asset shall be considered capital improvements, and shall be capitalized and depreciated commensurate to the remaining useful life of the original asset.
3. The expenditure of the day-to-day servicing of the item shall not be recognized in the carrying amount of an item of PPE. Rather, these costs shall be described as for the “repairs and maintenance” and recognized in surplus or deficit as incurred.
4. PPEs shall be distinguished from Inventories, which are goods held for consumption in the production process and/or rendering of services. Inventories are not within the scope of this policy.

ARTICLE 7: ATTRACTIVE ITEMS

1. Attractive items shall be low valued items (with valued below the capitalization threshold) which are highly susceptible to risk of theft (e.g. laptops, PCs, printers, projectors, video recorders, scanners, fax machines, etc.).
2. Although not capitalized, attractive items shall be recorded and tracked, for asset management and internal control purposes.

ARTICLE 8: PPE CLASSIFICATION

All PPEs shall be categorized into the following classes:

- i. Land;
- ii. Buildings;
- iii. Infrastructure Assets;
- iv. Printing and Publishing Equipment;
- v. Heavy Wheeled Vehicles and Engineering Support Vehicles;
- vi. Specialized Vehicles;
- vii. Trailers and Attachments;
- viii. Heavy Engineering and Construction Equipment;
- ix. Furniture;
- x. Buildings-Temporary and Mobile;
- xi. Communications Equipment;
- xii. Audio Visual Equipment;
- xiii. Water Treatment and Fuel Distribution Equipment;
- xiv. Security and Safety Equipment;
- xv. Fixtures and Fittings;
- xvi. Light Wheeled Vehicles;

All PPEs shall be categorized into the following classes:

- i. Land;
- ii. Buildings;
- iii. Infrastructure Assets;
- iv. Printing and Publishing Equipment;
- v. Heavy Wheeled Vehicles and Engineering Support Vehicles;
- vi. Specialized Vehicles;

ARTICLE 9: ACQUISITION

The Acquisition of Union PPE shall be through the following means:-

- Purchase
- Donation or contribution in kind
- Internal transfer between organs
- Finance lease
- Self-construction
- Assets under construction (Work in Progress)
- Asset improvements

ARTICLE 10: TAGGING

1. All PPE and Attractive Items shall be tagged on receipt. That is the assignment of each item with a unique identification number (Asset ID) for easier physical tracking.
2. All PPE Items of the union shall be tagged and clearly identified where practical for management and tracking purposes.
3. Asset ID shall be maintained for each building and land, even where the affixing of such unique tracking numbers is not practical.

ARTICLE 11: TRANSFER AND MOVEMENT OF PPEs

1. Transfer and Movement of PPE shall involve the physical relocation of items from one location to another
2. An internal transfer of PPE shall not result in a gain/loss on disposal; rather the PPE shall be transferred from one unit in the following manner:
 - i. A physical transfer between Directorates, Offices and/or programme (change of Cost Center / Org unit) shall be transferred at its current carrying value.

- ii. A physical transfer within Departments and/or Office locations (no change of Cost Center or Org Unit) requires only the updating of asset management systems with the new location.
- iii. A physical transfer between AU Organs shall be transferred at its current carrying value.

ARTICLE 12: PHYSICAL VERIFICATION

1. A physical count and verification of all PPEs and Attractive Items shall be conducted in all AU offices on an annual basis. This shall be to ensure accuracy, completeness and existence of PPEs as recorded in the asset register.
2. Physical counts of all PPEs and Attractive Items shall also be conducted whenever there is a re-organization of offices, i.e. office opening or closure.

ARTICLE 13: STORAGE AND WAREHOUSING

1. A physical count and verification of all PPEs and Attractive Items shall be conducted in all AU offices on an annual basis. This shall be to ensure accuracy, completeness and existence of PPEs as recorded in the asset register.
2. Physical counts of all PPEs and Attractive Items shall also be conducted whenever there is a re-organization of offices, i.e. office opening or closure.

ARTICLE 14: SECURITY & SAFETY

Controlling Officers shall ensure that:

1. Adequate controls are in place to safeguard, by properly recording, tagging and tracking, PPEs and Attractive items under their control;
2. Fixed Asset Registers are established and well maintained;
3. Appropriate measures must be put into place to protect assets from theft, misuse and damage; and that
4. All movements of assets from one location to another are authorised by the responsible authorities.

ARTICLE 15: RISK & INSURANCE

1. Effective risk management systems shall be established to identify and protect assets from risk of damage or loss.
2. A disaster recovery plan shall be put into place to cater for recovery in case of disaster.

3. All critical assets must be insured against potential risks and threats.
4. The Director/Head of Administrative Management shall ensure that all PPE (subject to 3 above) are adequately insured using appropriate insurance covers and policies from reputable insurance organizations.

ARTICLE 16: MONITORING AND TRACKING

Responsible departments shall conduct regular monitoring & tracking of PPEs to ensure existence.

ARTICLE 17: REPAIR AND MAINTENANCE

1. All assets shall be maintained in good working condition at all times.
2. Routine and preventive maintenance for PPEs shall be conducted at regular intervals.
3. Cannibalization (taking out of components) of assets shall be undertaken with the authorization of management.

ARTICLE 18: IMPAIRMENT

1. Impairment assessments shall be performed at least annually, as part of the annual verification exercise, and results reported to the Board of Survey (BoS).
2. In case of events such as fire and major car accident, the impairment shall be recognized immediately.
3. A PPE item is impaired when its recoverable value is less than its carrying value.
4. If an item of PPE is found to be impaired, the carrying value shall be written down to recoverable value.

ARTICLE 19: DISPOSAL

1. A disposal of PPEs shall be through transfer, donation, sale, exchange or trade-in, scrapping or write-off.
2. All Controlling Officers shall, upon recommendation of their respective BoS, dispose-off PPE items, which are no longer required for use or are unserviceable through obsolescence or normal wear and tear.
3. Deposed off items of PPE shall be derecognised in the Assets Register and accounting records immediately on disposal.

ARTICLE 20: LOSS AND DAMAGE

1. Loss of AU PPE items shall be reported immediately to the Controlling Officers for appropriate action.
2. Reports on losses caused by theft or robbery shall be accompanied by a loss report from either the AU Security or/and Police, as may be appropriate.
3. Loss of PPEs shall be handled in accordance with Article 62 and 63 of the FRR and Regulation 13 of the Staff Rules and Regulations (SRR).
4. A loss Committee shall be established to look at losses.

ARTICLE 21: WRITE-OFF

1. Controlling Officers shall write-off individual items of PPE with a carrying value of not exceeding US\$ 5,000 (United States Dollar Five Thousand Only)
2. Requests to write-off any individual items of PPE, with a carrying values exceeding US\$ 5,000 (United States Dollar Five Thousand Only) should be submitted to the Accounting Officer for review and approval.
3. Accounting Officer and Controlling Officers shall base their decisions, to exercise the authority to dispose and write – Off of PPE items, on written recommendations of the BoS.
4. The recommendations of the BoS must be recorded in a BoS register in sufficient detail to provide proper follow-up.

ARTICLE 22: DE-RECOGNITION OF PPEs

1. De-recognition is the process of removing an item of fixed asset from the books of accounts.
2. The carrying amount of the fixed asset shall be de-recognized on disposal or when no future economic benefits or service potential is expected from its use. The following are different circumstances which shall lead to de-recognition :
 - Sale;
 - Donation;
 - Transfers between AU organs ;
 - Cannibalisation and parts used in other fixed assets;
 - Loss and damage;
 - Destruction.

Part 3: ACCOUNTING FOR PPEs



ARTICLE 23: CAPITALIZATION

1. PPE items with an initial acquisition cost of US \$3,000 (United States Dollar Three Thousand Only) Self-Constructed Assets \$30,000 (United States Dollar Thirty Thousand Only) and Intangible Assets \$10,000 (United States Dollar Ten Thousand Only) or greater shall be capitalized at AUC. Organs PPE with an initial Acquisition cost of \$US1,000 (United States Dollar One Thousand Only) shall be capitalized, with the exception of capital improvements which must have a value of US\$10,000 (United States Dollar Ten Thousand Only) or more.
2. PPE individual items with initial acquisition cost of less than US\$ 1,000 but in total, as a group, cost more than the capitalization threshold, shall be capitalized as group assets.
3. The cost of an item of property, plant, and equipment shall comprise:
 - i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

- ii. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
 - iii. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
- 4. In recognizing PPEs, the AU shall apply the Cost Model. That is PPE items shall be carried at cost, less any accumulated depreciation and any accumulated impairment losses.
- 5. Costs incurred for the improvement of AU PPE (capital improvements) shall be capitalized and depreciated proportionate to the remaining useful life of the original asset.
- 6. Capital improvements on items already reported as PPE should be recognized as additions to those assets only if they meet the \$10,000 (United States Dollar Ten Thousand Only) threshold individually or in conjunction with other expenditures.
- 7. Costs incurred to bring a PPE back to working condition for its intended use or keep an asset operating at its present condition (e.g. repainting, repairing a broken window) shall be expensed when incurred.
- 8. Routine maintenance for AU PPE shall be expensed and charged to the repairs and maintenance account when incurred.
- 9. Construction costs are accumulated in an 'assets under construction' account until the PPE item is available for use and then transferred to the appropriate asset account.
- 10. Leasehold improvements are capitalized if they meet the threshold criteria and if the service potential of the property is enhanced, that is if one of the following occurs:
 - i. There is an increase in the previously assessed service capacity of the premise;
 - ii. Associated operating costs are lowered;
 - iii. The original useful life is extended; or
 - iv. The quality of output is improved.
- 11. All PPE items that do not meet the capitalization criteria shall be fully expensed at the time of acquisition.

ARTICLE 24: DEPRECIATION

- 1. Capitalized PPEs shall be depreciated using the straight-line method calculated by dividing the cost equally over the asset's useful life.
- 2. The useful life of PP&E classes of AU is as follows:

PPE Class	Useful life
Land	Indefinite (thus land is not depreciated)
Buildings and Infrastructure assets	50 years
Printing and Publishing Equipment	20 years
Heavy Wheeled Vehicles and Engineering Support Vehicles, Specialized Vehicles, Trailers and Attachments, Heavy Engineering and Construction Equipment,	12 years
Furniture	10 years
Buildings-Temporary and Mobile, Communications Equipment, Audio Visual Equipment, Water Treatment and Fuel Distribution Equipment, Security and Safety Equipment and Fixtures and Fittings	7 years
Light Wheeled Vehicles	6 years
Light Engineering and Construction Equipment, Medical Equipment, Transportation Equipment, Generators, Fixtures and Fittings (shorter of lease term /5 years), Minor Construction Works (shorter of lease term /5 years)	5 years
IT Equipment and Office Equipment	4 years
Software acquired externally, Software internally developed, Copyrights, Library Reference Material (incl. Books)	3 years

3. Depreciation shall be calculated on a monthly basis.
4. The depreciation expense shall commence when a PPE item is available for use and ceases at the earlier of the date the PPE item is classified as held for sale or derecognized.
5. The residual value of all AU PPE is presumed to be USD 1.

ARTICLE 25: IMPAIRMENT

1. Impairment losses shall be expensed. An item of PPE shall be deemed impaired when the carrying value is higher than its recoverable amount. The recoverable amount is the higher of the fair value of a PPE item less costs to sell; and its value in use.
2. If impaired PPEs subsequently increase in value (i.e. when the impairment is reversed), the recoverable amount of the asset shall be recalculated and the carrying amount shall be revised to the recoverable amount.
3. The increased carrying amount of an asset due to an impairment reversal shall not exceed the carrying amount that the asset would have been reported had no impairment loss been recognized initially.

ARTICLE 26: DISPOSALS

1. The department responsible for storage, warehousing and Asset Management shall be responsible for Disposal of PPEs and attractive items
2. Gains or losses arising from the disposal of an item of PPE shall be recognized as an item of revenue or expense, as appropriate.
3. The disposal of attractive items shall not generate losses.
4. Proceeds from the sale of PP&E and attractive items shall be recorded as miscellaneous revenue and credited to the Maintenance Fund.

ARTICLE 27: ASSETS HELD AT THE CONTINENTAL LOGISTIC BASE (CLB)

1. Strategic Deployment Stocks (SDS) items at the AU Continental Logistic Base shall be recognized as fixed assets and depreciated at the appropriate rates.
2. To the extent possible, Just in Time (JIT) concept of procurement shall be applied to obviate possible piling up of stocks that run the risk of obsolescence.
3. Regular inspections shall be conducted and all slow moving items shall be disposed-off to free up liquidity and minimize related management costs, through the laid down disposal process.

ARTICLE 28: CONTINGENT OWNED AND PARTNER OWNED EQUIPMENT

1. There shall be Contingent Owned Equipment (COE), which are assets that, through the memorandum of understanding (MOU), the Troop Contributing Countries (TCCs) deploy, and are entitled to financial reimbursement.
2. Contingent Owned Equipment (COE) shall not be recognized as AU PPEs.
3. The Peace Missions shall ensure that:
 - i. Ensuring that only equipment in the MOUs are deployed in the mission.
 - ii. Effective internal control measures are in place to guarantee existence and efficient utilization of COEs;
 - iii. Proper records are maintained to facilitate effective monitoring and tracking of COEs
 - iv. COEs are under appropriate Insurance covers as means of managing inherent risks.
 - v. Conduct regular inspections of COEs are undertaken to ensure that all deployed TCC equipment is properly maintained and utilized in accordance with MOU.

Part 4: MANAGEMENT OF INTANGIBLE ASSETS



Intangible Assets are resources without physical presence controlled by AU, which may be internally generated or acquired from external sources.

ARTICLE 29: RECOGNITION CRITERIA

1. An item shall be recognized as an intangible asset if it meets all of the following characteristics :
 - i. an asset: a resource that is controlled by AU from which AU expects to derive future economic benefits or service potential;
 - ii. identifiable: either separable, i.e., can be sold, transferred, licensed, rented or exchanged, or it arises from binding arrangements;
 - iii. non-monetary: does not represent money held or assets to be received in money; and
 - iv. Without physical substance: cannot be touched, or where it is made up of both tangible and the intangible element is more significant.
2. An item that shall meet the above characteristics of an intangible asset shall only be reported as an intangible asset if the following recognition criteria are also met:
 - i. probable benefits: it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to AU; and
 - ii. Reliably measured: the eligible costs or fair value of the asset can be measured reliably.

3. Intangible Assets with an economic/useful life of more than one year that meet the characteristics and recognition criteria above, and has a value of USD\$10,000 (United States Dollar Ten Thousand Only) or more shall be capitalized based on their initial acquisition and/or development costs.
4. Intangible Assets that do not meet the characteristics and recognition criteria above or that have an economic/useful life of less than one year shall be expensed.
5. Intangible Assets must be amortized over their useful lives.
6. The following items shall not be recognized or capitalized as Intangible Assets as they do not satisfy the recognition criteria:
 - a. Internally generated goodwill (subject to article 30 (3)) below;
 - b. Brands;
 - c. Mastheads;
 - d. Publishing titles (excluding publishing content);
 - e. Customer lists; and
 - f. Items which are similar in substance to the above (e.g. trademarks).

ARTICLE 30: ACQUISITION

1. Intangible Assets shall be generated internally, fully or partially acquired from external sources, or donated.
2. The acquisition of Intangible Assets from external sources shall be governed by standard procurement policy as shall be stipulated in the Procurement Guidelines.
3. An internally generated intangible asset will be recognized where the cost of development of the asset can be reliably measured. This shall require records of all directly attributable costs incurred from the start of the development and/or feasibility phase as an asset.

ARTICLE 31: TAGGING

1. Because of their non-physical nature, these intangible assets shall not be tagged, but shall be maintained in the Asset Master Record of the Asset Management System.
2. In place of the serial numbers, the license, copyright or any other reference number shall be indicated.

ARTICLE 32: VALUATION

For purposes of recording, Intangible Assets shall be recorded at their initial acquisition cost (including costs to bring to location where applicable) or fair market value for contributions in kind in the United States Dollar equivalent at the time the asset is acquired.

ARTICLE 33: SAFEGUARDING

1. Copyrighted materials shall be protected against unauthorized use by devising systems to ensure that unauthorized publications and copyrighted content are not distributed nor disseminated.
2. Access to software licenses, installations and internally developed software shall be restricted in order to protect such Intangible Assets.
3. Legal documents that grant copyrights should be kept in a secure location by user departments.

ARTICLE 34: INTANGIBLE ASSET VERIFICATION

1. Annual verification & physical count exercise shall be conducted to confirm that the Intangible assets still exist and have not suffered an impairment loss.
2. For software licenses and custom developed software, the exercise shall also confirm the validity of the license and the continued benefit to AU of the developed software that is still in use.

ARTICLE 35: IMPAIRMENT

1. Impairment assessments shall be performed periodically, at least annually. However, if evidence is obtained of impairment during the year, the impairment shall be recognized immediately.
2. When there is an indication of impairment, impairment tests shall be conducted to assess whether the recoverable amount is less than its carrying value.
3. Impairment tests shall be applied on an asset by asset basis. Existence of impairment indicators shall also be assessed on a global, or class basis, e.g., technological obsolescence for IT software.

ARTICLE 36: DISPOSAL

1. The delegated Officers may dispose- off all items of intangible assets below the capitalization threshold which are no longer required by the office or unserviceable through obsolescence.
2. Controlling officers, in consultation with their respective BoS, shall dispose-off all capitalized intangible assets, which are no longer required by the office or unserviceable through obsolescence.
3. An intangible asset shall be derecognized immediately after the assets have been approved for disposal by the Controlling Officers or the Financial Controller after due process.

ARTICLE 37: WRITE-OFF

1. Controlling Officers, delegated by the Accounting Officer, shall write-off individual intangible assets, with carrying values of up to US\$ 5,000 (United States Dollar Five Thousand Only) , deemed obsolete after recommendation from the BoS.
2. Requests to write-off assets with values greater than US\$ 5,000 (United States Dollar Five Thousand Only) should be submitted to the Accounting Officer for review and approval.

PART 5: ACCOUNTING FOR INTANGIBLE ASSETS



ARTICLE 38: CLASSIFICATION

1. Intangible Assets of a similar nature or function shall be, upon initial acquisition, classified in the Asset Management system as follows:

Separately Acquired

- o Software acquired separately (e.g. Microsoft Office, Integrated Information systems, etc.)
- o Other Licenses and Rights (e.g. Licenses)

Internally Developed

- o Internally developed Software
- o Copyrights (e.g. published material, commercials, PSAs)

Intangible Assets under Development

ARTICLE 39: CAPITALIZATION

1. Intangible Assets shall be measured at cost; except in the case of separately acquired Intangible Assets which are obtained free of charge or for a nominal amount. These must be measured at their fair value which will be guided by the relevant SOP.
2. Improvement expenditures incurred that expand the intangible asset's future benefit (e.g. life, capacity, quality of output) must be capitalized and amortized over the remaining useful life of the original asset.
3. Costs incurred to bring an intangible asset back to an earlier condition or to keep the asset operating at its present condition must be expensed when incurred e.g. maintenance fees, software license or subscription fees.

ARTICLE 40: SEPARATELY ACQUIRED INTANGIBLE ASSETS

1. The cost of a separately acquired intangible asset comprises:
 - a. Purchase price (including import duties and non-refundable purchase taxes after deducting trade discounts and rebates); and
 - b. Directly attributable costs of preparing the asset for intended use, which may include:
 - i. Employee costs arising directly from bringing the asset to its working condition;
 - ii. Professional fees arising directly from bringing the asset to its working condition;
 - iii. Costs of testing whether the asset is functioning properly; and
 - iv. Costs to copy right or register a separately acquired intangible.
2. The following costs shall not be included as part of an intangible asset:
 - a. Costs of advertising and promotional activities;
 - b. Training costs;
 - c. Administrative and other general overhead expenditures;
 - d. Relocation and reorganization costs; and
 - e. Operating losses and start-up costs.

ARTICLE 41: INTERNALLY DEVELOPED INTANGIBLES

1. The process for creating an internally generated asset shall be two phases:
 - Research Phase- the initial and planned investigations undertaken with prospects of gaining new scientific or technical knowledge and understanding.

- Development phase - the application of research findings or other knowledge to design for a new product or substantially improve on materials, devices, products, processes or systems before the start of production or use of the asset.
2. Costs incurred in the research phase, with respect to internally developed intangibles, shall be expensed, as future economic benefits cannot be demonstrated at this stage.
 3. Costs in the development phase will be recognized as an asset subject to capitalization requirements being fulfilled.
 4. Only directly costs attributable to a development shall be capitalized.
 5. Costs identified in the development phase shall be recognized even if individually they do not meet the capitalization threshold.
 6. The total sum shall be evaluated against the capitalization threshold and future amortization at the time the intangible asset is ready for use. If the threshold criteria are not met, the accumulated costs shall be expensed.
 7. Until the development stage has commenced, all costs shall be expensed and shall not be capitalized in retrospect.

ARTICLE 42: AMORTIZATION

1. Intangible Assets must be amortized using the straight-line method based on the Intangible Assets useful life.
2. The useful life shall be determined using the criteria in the table below:

Intangible Assets	
Assets Class	Useful Life
Software Acquired Separately	When software license acquired: shorter of license period and useful life
Other Licenses and Rights	Shorter of the license or rights period and useful life.
Internally Developed Software	The business case supporting the investment to develop the software should identify the useful life.
Copyrights	Shorter of the copyright period and useful life.
Intangible Assets Under Development	Not amortized, until it is in use.

3. Amortization commences when an asset is available for use and ceases at the earlier of the date the asset is classified as held for sale, derecognized or fully impaired.
4. Intangible Assets are amortized on a monthly basis. A full month of amortization will be calculated in the month of purchase and amortization will be calculated up to the date of disposal.
5. Residual Value will be presumed to be US\$1 for all Intangible Assets.
6. All Intangible Assets with indefinite useful life shall not be amortized. They shall be reviewed at each reporting period to determine whether the events and circumstances continue to support an indefinite useful life for that asset.

ARTICLE 43: IMPAIRMENT

1. Impairment assessments shall be performed periodically, at least annually, and results reported to the BoS.
2. The treatment of impairment for Intangible assets shall be the same described under PPE.

ARTICLE 44: DISPOSAL

1. Intangible Assets shall be derecognized once approved for disposal.
2. The treatment of disposal of Intangible assets shall be the same described under PPE.

Part 6: ROLES & RESPONSIBILITIES



ARTICLE 45: ACCOUNTING OFFICER

The overall authority and responsibility for the implementation of this Fixed Assets Management policy shall be vested on the Accounting Officer who shall delegate that authority and responsibility to Controlling Officers.

ARTICLE 46: CONTROLLING OFFICERS

Controlling Officers shall be responsible for:

1. Overall management of, and accounting for, PPEs under their jurisdictions.
2. Safeguarding and ensuring proper use of PPEs. Report loss or damage of Fixed Assets.
3. Disposal of PPEs which are no longer in use or required as stipulated in this policy.

ARTICLE 47: FINANCIAL CONTROLLER

The Financial Controller shall be responsible for:

1. Providing policy guidelines on accounting and financial reporting for PPEs Maintenance and Update of Fixed Asset Register for Accounting purposes.
2. Issuance of regular accounting instructions to ensure that PPEs are correctly valued reported and disclosed in accordance with IPSAS.

ARTICLE 48: DIRECTOR OR HEAD OF ADMINISTRATIVE MANAGEMENT

The Director or Head of Administrative Management shall be responsible for:

1. Providing guidance on the management and maintenance of PPEs, based on AU policies, procedures and other best practices.
2. Ensuring that assets physical counts and regular reviews are conducted as stipulated in this policy.
3. Play an intermediary role between BoS and controlling officers.
4. Ensure effective and efficient implementation of recommendations and decisions of the BoS and controlling officer, respectively.

ARTICLE 49: OFFICIALS AND STAFF OF THE UNION

1. PPEs assigned to individual Officials and Staff Members

In line with Regulation 3.3 of the AU Staff Regulations and Rules, Officials and Staff Members shall have the duty and obligation to use the property and assets of the Union for official purposes only and shall exercise the greatest care when utilizing such property and assets. They shall ensure:

1. Safeguarding and proper utilization of PPE items allocated to them;
2. Immediately reporting of loss or damage of PPE items;
3. Reporting PPE items which are no longer in use;
4. Following the formal transfer of the PPEs to another official, staff member or to common space utilization.

2. Common PPE located in Open spaces within AU premises

Heads of Department, Directorate, Office, Mission, Division and Unit shall be responsible for:

1. Identifying the need of such Common PPEs intended for utilization in open areas by officials, staff members, delegates, visitors and others within the premises of the African Union;
2. Requesting for their acquisition;
3. Allocating and sign up their issuance;
4. Following up their installation in the intended AU open areas.
5. Upon formal installation of Common PPEs, the individual responsibility of the requisitioning official ceases.

ARTICLE 50: BOARD OF SURVEY

The BoS shall be responsible for:

1. Providing the overall oversight function on the handling of Inventory, plant, property and equipment that have been issued for use which are considered to be of no further use or value to the Union
2. Considering disposal requests and other reports on PPEs Examining those damaged, unserviceable or obsolete; and
3. Making appropriate recommendations on the mode of disposal to the respective controlling officers.

ARTICLE 51: OFFICIALS AND STAFF OF THE UNION

The Inspection and Receipt Committee which shall be responsible for:

1. Conducting Inspections of acquired PPEs;
2. Accepting the goods only if they meet the specifications and standards;
3. Conduct the inspection of PPEs in accordance with the Procurement Rules and Regulations guidelines.

ARTICLE 52: ENTRY INTO FORCE

This AU Policy on PPE shall supersede all provisions in existing administrative circulars and guidelines and shall come into force on the day it is signed by the Chairperson of the African Union Commission.



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