



Punjab Skills Development Fund

CAPEX Planning, Acquisition and Control Policy

Approval Date:	January 28, 2020
Effective Date:	January 28, 2020
Version Number:	1
Last Review Date:	-
Next Review Date:	-
Policy Owner:	Board of Directors
Approval Authority Signature:	

Contents

1. Purpose	3
2. Scope	3
3. Definitions.....	3
4. Roles and responsibilities	3
5. Asset Acquisition Planning.....	5
6. Investment Limits of the Fund.....	6
7. Review of the Budget.....	6
8. Methods of Acquisition.....	6
9. Procurement of fixed asset	6
10. Transferred fixed assets	6
11. Review of asset Acquisition	7
12. Controls over CAPEX	7
13. Capitalization of fixed assets	7
14. Maintenance and Control of fixed assets	7
15. Conflict of Interest.....	8
16. Review.....	8
17. Effective Date	8

1. Purpose

The Punjab Skills Development Fund (PSDF), also referred to as “the Fund”, required advance planning and approval of the Capital Expenditure (CAPEX) in order to ensure that the expenditures are properly evaluated and prioritized and are consistent with the Fund’s strategy and plan. The purpose of this document is to set out a policy in relation to planning, acquisition and control of Capital Expenditure. The CAPEX Planning, Acquisition and Control Policy, herein after referred to as “the Policy”, creates a link between capital expenditure planning, control and the corporate strategy of the Punjab Skills Development Fund.

2. Scope

The policy applies to all employees of the Fund who are engaged in the planning and acquisition of the fixed assets, and approval thereof in order to ensure that the Fund’s assets are acquired, protected and monitored of in accordance with the Fund’s Policy.

The policy should be read and applied in conjunction with the Fund’s other policies and procedures including but not limited to Procurement rules, Financial Manual and delegation of Authority for the time being implemented.

The policy should be subject to all applicable laws, rules, regulations and other enactments of the Government relating to the planning, control and procurement of capital expenditure of the public sector companies.

3. Definitions

- “**PSDF**” means Punjab Skills Development Fund, also referred to as “**The Fund**”;
- “**Board**” is The Board of Directors of the Fund;
- “**CEO**” stands for the Chief Executive Officer of the PSDF;
- “**CFO**” stands for the Chief Financial Officer of the PSDF;
- “**COO**” stands for the Chief Operating Officer of the PSDF;
- “**User Department**” means the department which initiates the **relevant process**;
- “**The Management**” includes the CEO, the HoDs, the CFO and COO of the PSDF;
- “**IT**” stands for “Information Technology”;
- “**HoD**” stands for the Heads of Department of the PSDF;
- “**CAPEX**” means the Capital Expenditure that the Fund spends in order to acquire or upgrade non-current assets which are expected to produce future economic benefits to the Fund with a useful life of more than twelve months and which meets the requirements of the International Financial Reporting Standards (IAS 16) and the capitalization criteria of the Financial Manual of the Fund.

4. Roles and responsibilities

4.1 Responsibilities of the Board

Apart from the roles and responsibilities of the Board stated in the Board Charter, the Board have following responsibilities regarding this Policy of the Fund:

- To review and approve CAPEX Budget for the next financial year on an annual basis;

- To ensure the appropriateness of budget, specifically the factor of emergency procurement included in the budget, the limit of the CAPEX available for the year and any other matters that it may deem fit;
- To ensure that the budget is according to the corporate plan and strategy;
- To approve the acquisition of the Capital Expenditure during the financial year in accordance with the Delegation of Authority Matrix of the Fund;
- To review the performance of the Fund against the Budget and the significant variations should be inquired from the management;
- To ensure that CAPEX is appropriately managed and controlled
- To approve CAPEX made during the year at the time of approval of the annual financial statements.

4.2 Responsibilities of the CEO

The CEO, along with other responsibilities as stated in the Board Charter is responsible for the following;

- To develop and implement, along with the management, the appropriate controls over the CAPEX, including those required under the Policy;
- To ensure no conflict of interest exists in any stage during the CAPEX planning, control and acquisition process.

4.3 Responsibilities of the Management

The management of the Fund is responsible for the following;

- To assist the CFO in the planning process and to prepare the budget for the next financial year;
- To forecast the future demands with reasonable care and diligence;
- To support CFO is the preparation of the variance analysis with the budget and to respond to his queries;
- To implement controls regarding CAPEX as approved by the CEO;
- To ensure no conflict of interest exists in any stage during the CAPEX planning, control and acquisition process.

4.4 Responsibilities of the CFO and Finance Department

The CFO should be responsible for, including but not limited to, the following:

- To prepare the Budget for the next financial year, in collaboration with the management, in accordance with the Policy;
- To perform the variance analysis at regular intervals and present it to the Board for review and approval;
- To capitalize fixed assets acquired during the financial year;
- To maintain all appropriate record related to CAPEX;

- To conduct at least annually, but preferably semi-annually, the physical verification of assets (except IT related assets) in accordance with the Policy. The report should be approved by the Head of Admin and presented to the Board for review;
- To insure assets of the Fund as per Policy.

4.5 Responsibilities of the Administration Department

The administration department should be responsible for, including but not limited to, the following:

- To tag the fixed assets at the time of their capitalization;
- To conduct at least annually, but preferably semi-annually, the physical verification of assets (except IT related assets) in accordance with the Policy. The report should be approved by the Head of Admin and presented to the Board for review.

4.6 Responsibilities of the IT Department

The IT department should be responsible for, including but not limited to, the following:

- To ensure, at the time of acquisition, that the IT related items that are being acquired are suitable for their intended purpose;
- To protect the IT related items of fixed assets through cyber security;
- To protect physical security of the IT related fixed assets, specifically against theft, high or low voltage, etc.;
- To maintain the record of IT equipment through their serial number or other identification numbers;
- To perform physical verification of the IT related fixed assets at least annually, but preferably semi-annually, in accordance with the policy.

4.7 Asset Acquisition Planning

- The planning of the capital expenditure should be performed by the CFO in collaboration with other HoDs of the PSDF. The CFO should receive an approved list of planned capital expenditure purchases that will be required within the following 12 months from the HoDs before the start of the next financial year, which should form basis of the Budget for the next year.
- When planning the procurement, preliminary analysis of the market should be performed by the user department to forecast the value of the CAPEX. This analysis should include the estimation of the expected market price of the CAPEX, product availability and logistics/supply chain factors. Where the PSDF is not be able to forecast the future demand, it may rely upon estimates, in such case the best estimated data is to be used.
- While preparing the budget, the CFO should factor in emergency procurement in their forecast and consider the CAPEX limit available for the year and the availability of the funds to the PSDF. The value emergency procurement should range from 2%-5% of the value of identified CAPEX items for the next period.

- The capital expenditures must be linked with corporate plan and strategy.
- The Budget and the complete plan which should include ranking based on most critical, critical, normal and future expansion/ improvement plan along with priority should be presented to the Board at the Board meeting. The Board should approve the budget for the next financial year. This approval does not provide authorization for capital expenditure to be incurred.
- No commitment for expenditure of capital items should be undertaken on behalf of the Fund until all relevant requirements set out in this policy are complied with.
- The Procurement Department should incorporate the approved CAPEX budget in Annual Procurement Plan of the Fund.

5. Investment Limits of the Fund

The Fund may invest a certain amount of its funding received from its sponsor on its CAPEX. The Board should approve the CAPEX budget at the start of the Financial Year which should not, in any financial year, exceed the limit agreed with the sponsors.

6. Review of the Budget

The budget should be reviewed by the Board at regular intervals and any significant variation from the budget should be analyzed and discussed.

7. Methods of Acquisition

The method of acquisition of fixed assets are as follows:

- a) By **purchase** in accordance with the Fund's procurement policy;
- b) By **transfer** of assets from the sponsors.

8. Procurement of fixed asset

The Capital Expenditure should be acquired according the Procurement rules of the Fund and in accordance with the procurement procedure stated in the Business process flows for Procurement of Services/Goods.

9. Transferred fixed assets

- The management of PSDF may acquire free of cost assets through the Fund's sponsors if they are offered by the sponsors. Sponsors may share list of assets to the Fund from which the management of the PSDF may identify assets that they may require;
- PSDF should capitalize the assets acquired through transfer at its fair market value, identified by an independent valuer;
- Thereafter, the assets should be treated same as other assets and all relevant policies and procedures after the acquisition should be applied on such assets.

10. Review of asset Acquisition

The department for which the asset has been procured should be responsible for reviewing the asset to ensure that the asset is according to the specification mentioned.

11. Controls over CAPEX

- All requests for capital expenditure equal to and in excess of Rs.10,000 must be submitted through a formal written request for Capital Expenditure (CAPEX) to the Procurement Department.
- No capital expenditure should be processed by the Procurement department unless the Capital expenditure was already approved in the budget for the year and a CAPEX request form has been submitted by the user department.
- All Capital Expenditures (Budgeted & Non- budgeted) must be approved in accordance with the Delegation of Authority Policy of the PSDF.
- Requests for unbudgeted capital expenditure and budgeted capital expenditure, in case actual purchased value exceeds its estimated amount, requires reallocation of the budget against the budget saved from other procurements and/or delayed procurements. Delayed procurements are CAPEX whose acquisition has been delayed for the next financial year. Requests that do not include an alternative source for funding the item should be dealt with in accordance with the Delegation of Authority Policy.

12. Capitalization of fixed assets

The CAPEX should be capitalized in accordance with the Financial Manual (chapter 3) of the PSDF. Thereafter, the Financial Manual (chapter 3) should remain applicable on the fixed asset.

13. Maintenance and Control of fixed assets

The maintenance and control of the asset covers the asset security needs, insurance and review of assets.

- **Tagging of the Assets**
 - All fixed assets of the Fund should be tagged at the time of their capitalization and record should be updated simultaneously.
- **Insurance**
 - All fixed assets of the Fund should be insured according to the applicable laws, rules and regulations for the time being enforced.
- **Fixed Assets Records**
 - PSDF should maintain a comprehensive Fixed Asset register in accordance with the Financial manual.
- **Verification of Assets**
 - Physical verification of assets should be performed at least annually, but preferably semi-annually, by the Fund which should confirm the physical condition of assets, the requirement repair and maintenance or replacement and the tagging of the assets.

- The physical verification report should be produced and reconciled with the fixed assets records and adjusted accordingly.
- The Report should be approved by the Lead Administration and presented to the Board for review.

14. Conflict of Interest

All the relevant staff of the PSDF involved in the processing of planning, acquisition and control of the CAPEX under this policy shall ensure compliance with the PSDF Conflicts of Interests signed document. In case any actual, perceived or potential conflicts of interest arises shall be reported promptly by PSDF staff to their line manager.

15. Review

This policy should be reviewed by the Board and may be changed, modified or abrogated at any time on recommendation of the any Committee of the Board.

16. Effective Date

This policy is effective from January 28, 2020 and any subsequent revisions shall be effective from the date of communication after approval.