Ebook

Fixed asset processes in MENA:
auditing, tagging, management

Introduction

Enterprises lose $70,000 on average per year due to inaccurate tracking of fixed assets, as estimated by Chron.

Fixed Asset tracking technology is vital to the success of modern enterprises. But technology alone is not enough—you need experts and proven processes to make your asset tracking a success. Truly effective Fixed Asset Management enables your organizations to make better decisions based on your capital investments, maintenance schedules, and asset depreciation.

A successful fixed asset process will help your enterprise:

Maximise profitability	Minimise risks
Track depreciation	Meet compliance goals
Automate business processes	Reduce manual tagging
Eliminate human errors	

Fixed assets on rise in MENA region

The need for strong fixed asset tracking, and compliance with IFRS accounting standards has become imperative to meet global regulatory pressures in the MENA region. This guide provides step-by-step instructions and tips for fixed assets auditing, tagging, and tracking - critical processes that help enterprises stay compliant. It also gives a glimpse into the fixed asset management setup procedure to understand the full spectrum of compliance measures.

As organisations expand both within the region and internationally, they find themselves subject to increasingly stringent regulatory compliance. For example, in KSA, Royal Decree No. 13059 mandates all governmental institutions to convert their accounting from a cash basis to an accrual basis, using IPSAS Standards. The law requires the recognition, recording, tagging, and valuation of assets to log them accurately as assets and associated expenses.

A fixed asset audit, although complex, labour-intensive, and time-consuming, is a crucial component of an enterprise risk management strategy. It ensures both maximised operational capability and strict adherence to local regulations. The process involves scrutinising an organisation's assets to verify their existence, accuracy, and value. With third-party fixed asset management and auditing solutions, enterprises can monitor and evaluate their assets in real-time, with minimal in-house involvement.

The fixed asset audit process: everything you need to know

Did you know?
Businesses lose 5% of their revenue due to fixed asset fraud each year on average.

Why it's important

A **study** published in the Journal of End User Computing revealed that humans make mistakes when entering data in standard spreadsheets 88% of the time. With **61% of enterprises** receiving audit requests within 18 months before the third quarter of the year, and 57% using manual tracking methods for IT asset management, noncompliance and inefficiencies are widespread and costly concerns.

Despite this, audits are essential for maintaining accurate financial records, preventing losses, and ensuring compliance with standards and regulations. Many companies in the MENA region are not adequately prepared for audits. Such businesses often scramble to allocate resources and gather required information, negatively impacting company productivity and efficiency. Inadequate paperwork or unorganised files can transform the auditing process into a stressful, time-consuming, and costly ordeal.

Companies with tangible assets should carry out specialised audits to guarantee compliance. A fixed asset audit involves verifying a company's tangible assets, ensuring they are still in possession, operational, and in line with both internal guidelines and external asset management policies.

Regularly auditing fixed assets helps confirm:

> Assets' physical existence, location, and department assignment

> Assets' classification

> Purchase dates and original costs

> Assets' overall condition

> Overall quantity of assets

> Assets' overall depreciation rate

> Current year's depreciation and depreciation of specific types of assets

> Scrap or sale particulars

> Effectiveness of asset security measures

The best audit process

To begin a fixed asset audit, you'll need to select an auditor, who can be an in-house employee or an external professional. The auditor's primary responsibilities include verifying previously listed assets, updating records, and ensuring compliance with relevant regulations.

Identify ghost assets

The fundamental step in a fixed asset audit is confirming the existence of assets through physical inspection. It is estimated that 10-30% of a company's fixed assets become ghost assets – items listed in the register but cannot be located. Eliminating ghost assets helps avoid unnecessary taxes and inflated insurance premiums.

Check your asset tags

Updating asset data as it changes is crucial. Up-to-date asset tags and tracking processes facilitate physical verification, especially during extensive audits and inventories. Attaching an asset tag to each item enables quicker identification.

Track asset conditions

Adding high-resolution photos of your assets can help monitor wear and tear throughout their useful life. Comparing previous photos may reveal usage patterns and the need for procedural adjustments.

Determine the aggravated value of your assets

Current asset values are based on acquisition costs, verified freight costs, taxes paid, and miscellaneous costs like setup expenses. Calculating an overall asset expenditure helps make better strategic decisions.

Ensure compliance

During audits, verify that assets meet regulatory requirements. Integrated Fixed Asset Management solutions allow generating reports of compliance with both IFRS and a company's internal guidelines.

Get the bigger picture

With updated data, assess the overall situation. Consider asset depreciation, current valuation, and usage patterns. Conclude each asset audit with a report on findings, ensuring that balance sheet amounts match fixed asset inventory values. Reports help identify patterns of losses, disproportionate shrinkage, or overall operational pain points.
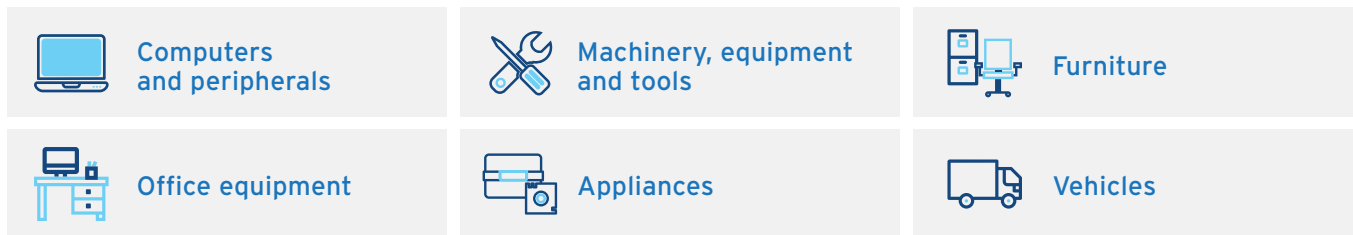
Tagging process

In today's cloud and digital worlds, fixed assets are tracked, with the help of serial numbers, asset tags, and labels for precise tracking. The most common methods are barcode and RFID used for asset tracking. However, there are many other options available.

Fixed asset management includes these steps:

> Receiving and registering an asset

> Adjusting asset information

> Transferring an asset

> Depreciating or appreciating an asset's value

> Disposing of an asset

Which assets require labels?

Not all assets need labels. Generally, assets should be tracked if they are vital to business operations, pose a significant liability risk if they fail, or represent considerable costs if damaged, lost, stolen, or misused. Examples of such assets include:

Computers and peripherals	Machinery, equipment and tools	Furniture
Office equipment	Appliances	Vehicles

Tracking these assets allows your business to evaluate their usage, comprehend the costs, schedule maintenance, standardise equipment, and reduce overheads and taxes.

By attaching labels and tags to assets, you can collect various data and store it in a digital asset register. Asset data may encompass:
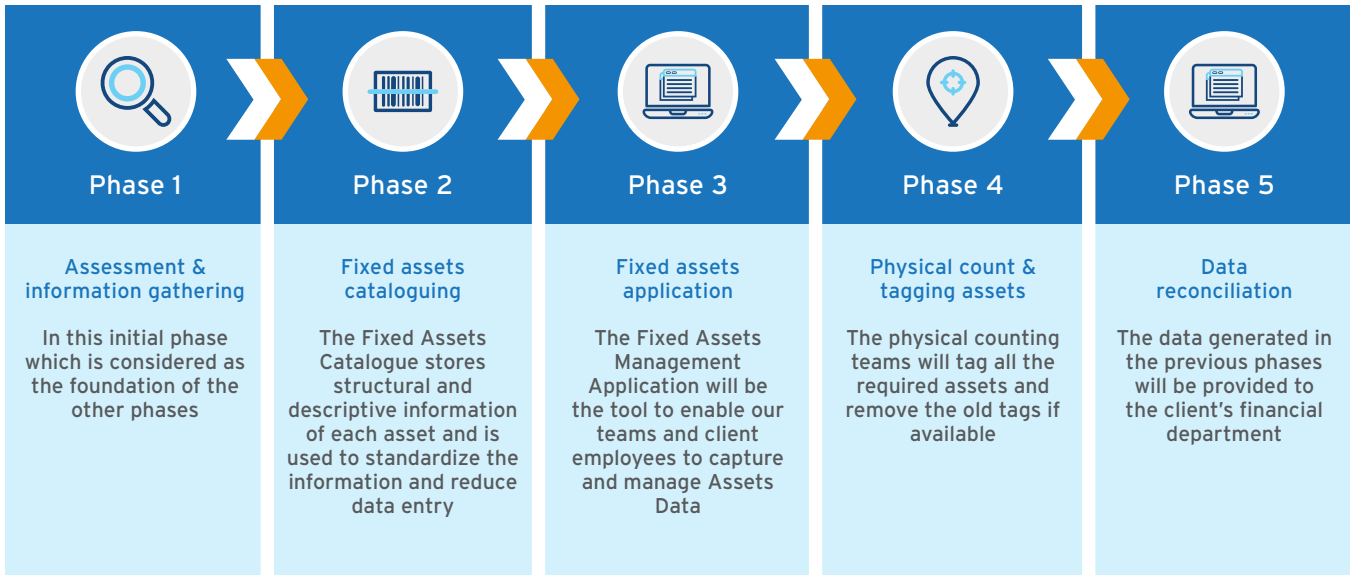
Current location	Maintenance schedules	Depreciation value
Users	Purchase history	
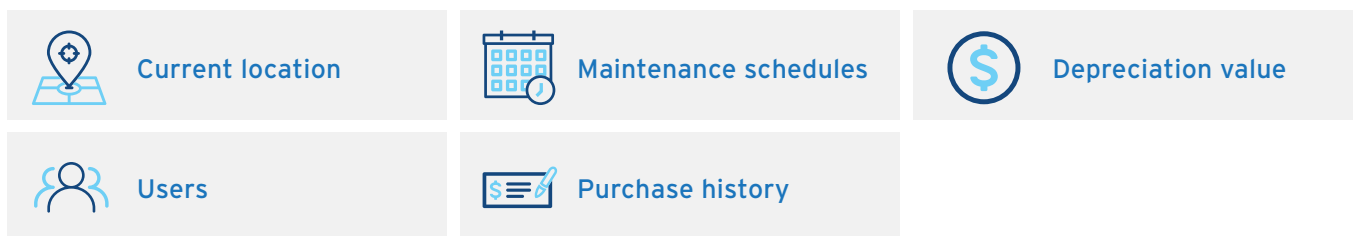
Asset tagging methods

Asset tags can be made from various materials, depending on the asset's environment, nature, purpose, and other factors.

QR	Bluetooth	GPS	RFID

Iron Mountain setup process

Understanding the condition, related expenses, and depreciation rates of your assets is not a matter of discovering a 'secret sauce'; it is an ongoing, step-by-step process. Our fixed asset management solution breaks it down into five phases.

A successful fixed asset process will help your enterprise:

| Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Assessment & information gathering	**Fixed assets cataloguing**	**Fixed assets application**	**Physical count & tagging assets**	**Data reconciliation**
In this initial phase which is considered as the foundation of the other phases	The Fixed Assets Catalogue stores structural and descriptive information of each asset and is used to standardize the information and reduce data entry	The Fixed Assets Management Application will be the tool to enable our teams and client employees to capture and manage Assets Data	The physical counting teams will tag all the required assets and remove the old tags if available	The data generated in the previous phases will be provided to the client's financial department

Assessment & information gathering

To gain a comprehensive understanding of the enterprise's fixed assets and formulate a subsequent strategy, the team gathers empirical data on all existing facilities, machinery, and equipment. This assessment includes defining the expected output of the fixed assets, as well as categorising them based on their specific attributes and operational conditions.

Based on the assessment, the Iron Mountain team determines the methods of conducting the physical count and tagging of the fixed assets. The results are presented to the key stakeholders.

Fixed assets cataloguing

A catalogue is created to store and standardise the information on fixed assets, making it easily accessible. Typically, a fixed assets catalogue includes these elements:

Readable asset code		Main category
Picture		Subcategory
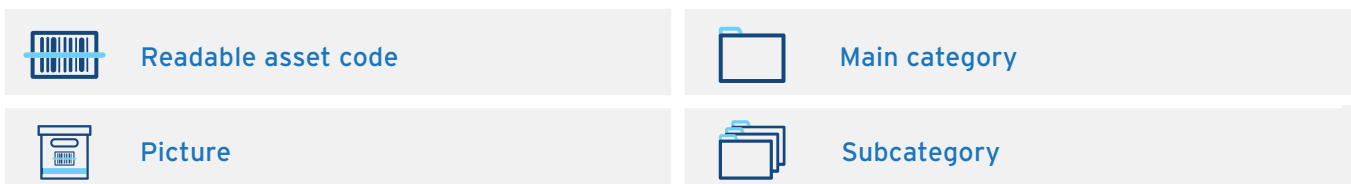
Fixed assets application

A user-friendly platform is created to record, manage, and utilise the fixed assets data.

Physical count and tagging

To update and populate the fixed assets catalogue, the team counts and tags the assets using applicable methods, enters their key identifiers into the database, and removes outdated tags, if necessary:

Precise location of the asset (including building, floor, and room number)	**Asset type**	**Condition & status**

Data reconciliation

To provide the enterprise's financial department with accurate and up-to-date data on all fixed assets, Iron Mountain experts compare the physical count list with the register list and report any discrepancies to the client.

7 Tips for fixed asset auditing

1. Prioritise the 10% of assets that make up the 80% cost of all fixed assets.

2. Establish a regular review process for asset documentation to detect inconsistencies between the asset inventory and the records.

3. Carry out interviews with staff members to collect information regarding the assets and how they are utilised.

4. When financing fixed asset purchases, avoid capitalising on minor interest amounts. The time spent on documenting these small sums may lead to increased audit fees if auditors decide to investigate these amounts.

5. Maintain consistency in the useful life and depreciation calculation methods for your fixed assets. Deviating from standard practices may raise questions among auditors.

6. Keep supplier records organised in binders or through cloud-based fixed asset management software, as auditors typically review fixed asset purchases.

7. Reconcile asset register before year-end audit; then roll forward for the audit month.

Fixed asset tagging & tracking: best practices

Why it's important

Conducting fixed asset audits offers a clear perspective of your business that can often be overlooked. When an enterprise makes regular audits a standard practice, it can better optimise spending and manage fixed assets proactively rather than reactively. Some common mistakes when tracking and managing fixed assets include:

> Incorrect depreciation calculation

> Inadequate documentation of asset possession, transfers, and disposal

> Poor application of tags and barcodes

> Insufficient asset description

> Inclusion of ghost assets into the calculations

Best strategies for fixed asset tagging

Include all vital asset data

Asset tags play a crucial role in organisations, and it's essential to include all vital asset information consistently. This allows for precise asset tracking and prevents confusion or errors. Ensure every asset tag includes:

> The asset's ID number

> A description of the asset

> The asset's location

> The acquisition date

Choose the appropriate asset tag type and category

Consider factors like material, size, and shape when selecting tags. For instance, metal asset tags are perfect for tagging tools and equipment, while barcode asset tags work best for inventory tracking.

Ensure that high-value assets are tagged properly

A good practice for asset tagging is to prioritise high-value assets to ensure proper accounting. High-value assets include computers, tools, and vital equipment. Tagging these items first helps to prevent the most significant financial losses.

Use integrated fixed asset management solutions

Asset tags are a critical component of an asset management system, offering a means to track and identify assets. However, they alone are not enough for effective asset management. Integrated solutions provide a quick access to the tagged data.

Luckily, audits don't need to be the daunting, time-consuming tasks they're often perceived to be, and businesses can sidestep the anxiety of non-compliance issues or unforeseen penalties. By adopting a robust asset tracking system, companies can confidently sail through audits without the last-minute chaos, significantly reducing the risk of non-compliance and avoiding costly fines.

Asset register

The main goal of an asset management strategy is to help organisations pull quick and accurate data for any business objectives that arise. Maintaining a proper fixed asset register is crucial to the following aspects:

> Mergers & Acquisitions

> Preventative Maintenance

> Real-time Depreciation Reporting

> Financial Reporting

> Business Intelligence

Asset registers should be comprehensive, structured, maintain information integrity, identify asset accountability, and include financial information.

Best strategies for fixed asset tracking

Have Standard Operating Procedures (SOPs) in place

SOPs ensure that employees adhere to uniform guidelines for monitoring and managing fixed assets. SOPs are a series of methodical instructions that employees are expected to follow when conducting routine operations. The most common elements of FAM SOPs include:

> Defining specific criteria to determine what qualifies as a fixed asset

> Implementing an approval mechanism and a hierarchy for overseeing receivings, transfers, and disposals of fixed assets

Track the lifecycles of fixed assets

Understanding the complete life cycle of various fixed assets empowers enterprise leaders to make informed purchasing decisions and address maintenance requirements. Vigilant monitoring of an organisation's asset inventory ensures awareness of when equipment has reached the end of its usefulness, signalling the time to retire and replace the asset.

Our fixed asset management solutions
Iron Mountain FAM at your service

Full visibility and tracking of your assets goes beyond the basics of accurate financial statements. Our solution enables you to reduce dependency on individuals and ensure full control over your fixed assets through periodic audits and asset data mapping.

Components of our FAM solution

Policy review & procedure consultation	**Physical audit**
Barcodding & tagging	**Physical tracking software module**
Integration with financial module	[Optional] Financial management software module

Policy review & procedure consultation

We combine a human approach with software to give a truly end-to-end solution with Fixed Asset Management. Our teams will gain a thorough understanding of the customer's buildings, asset catalogues, locations, and existing physical objects.

> Provide an executive presentation summarising the above

> Collect data required for the Empirical Survey

> Define assets categories and subcategories and their respective attributes

Physical audit

Iron Mountain is one of the only providers in the MENA region able to conduct a comprehensive physical audit when your company requires a physical count, tagging, and data reconciliation process that requires professional manual work. The Iron Mountain FAM Solution is able to provide:

> Comprehensive and cost-effective physical audits

> Verification and reconciliation against book values and vice versa

> List of assets including Missing, Unfound, Damaged, Mislabeled, Scrap Assets

Barcode and tagging

Our physical counting teams will tag all the required assets and remove the old tags if required. We use special labelling, tagging, tracking and monitoring tools, including asset codes that are both human-readable and data-enabled (using RFID or Barcode) that uniquely identify each Asset type. Our clients can expect services that allow for:

> Cataloguing important tags, including region, city, building, floor and room

> Defining each asset type according to the policy and procedural consultation

> Specifying the condition of each asset and any other relevant details

Integration with financial and ERP technology

Centralise access to one source of financial truth for your entire fixed asset register. Asset tracking, labelling and software can easily be integrated to major ERP with the ability to read, extract, store and upload the data to third-party applications or other major formats.

> Build a flawless Fixed Asset Register and Catalogue

> Connect fixed asset tracking with other business-critical operations

> Accurate production planning and reporting

Physical tracking software module

Transform your manual processes and paper-based workflows into digital systems. Iron Mountain FAM software helps you stay organised, automates inventory tracking, and ensures seamless communication between sales, production, warehousing, procurement, administration, and finance.

> Reduce data entry and dependency on individuals

> Mitigate risks of loss or theft by ensuring all assets are monitored

> Automate generation of data rather than manual work on spreadsheets

[Optional]
Financial management software module

Fixed asset management software stores details about each company-owned asset in the cloud, calculates depreciation using various methods, and posts information to the accounting system. This ensures accurate and up-to-date financial statements. Integrated solutions provide a central location for asset details and automate depreciation calculations and accounting.

> Accurate asset depreciation forecasting and reporting

> Clean assets' list (fixed asset register) cross-matched with your financial database

> Hierarchical classification structure of your assets for financial and physical tracking

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About Iron Mountain