Capital expenditure, planning and control

Purpose

To provide guidelines under which the capital expenditure will be approved and prioritized for the current fiscal year and for next 5 years plan.

This document also provides policy guidance to the management and staff on the assessment of the linkage between the capital expenditure planning, control and the corporate strategy. This will also help o recognize and manage risk and to ensure the capital expenditures are properly monitored and tracked.

Scope

Capital expenditure planning and management are vital functions for growth and is a key requirement of Code of Corporate Governance. This may have strong future impact on operational efficiencies and will also help to ensure that the value of money is achieved. Capital expenditures are essential to corporate growth. Because capital expenditures have a major impact on the cash flow and can encumber corporate funds for years, they require close scrutiny at all levels within a Company.

Discretionary capital spending, such as the purchase of furniture, computers, office equipment and vehicles is controlled by restricting spending authority to appropriate levels of responsibility. Punjab Population Innovation Fund is therefore developing systems, procedures and disciplines to manage capital expenditures so that decisions are aligned with corporate objectives.

Policy

PPIF's capital expenditure planning and control policy is based on spending planning process that aligns decisions with financial objectives of the company.

It also allows management to plan, execute and forecast capital expenditure in a way that increases accountability and heightens internal control. This modelling helps management to justify capital forecast expenditures. Management can ensure that measures are consistent across the Company and analysis of proposed expenditures are carried out.

Planning and Control over Capital Expenditure

In-line with policy guidance and to ensure the effective planning and control over capital expenditures, management shall:

- Identify and assess capital expenditure requirement and will present complete plan to Board / Board Audit Committee for detail technical review.
- Management will also submit the expected cost and financial impact of capital expenditures.
- Management will ensure timely reporting and tracking of all capital expenditure and will notify the Board any proposed change(s) in previously submitted plan.
- Management shall maintain the capital expenditure budget.

- Management is responsible to ensure that all capital expenditures must be linked with plan and strategy.

Reappraisal of Capital Expenditure

All capital expenditures undertaken by the Company will be subject to reappraisal.

Operations and Finance departments of the Company will be jointly responsible to carry out reappraisal activity and internal audit department will independently review and report their findings to the Audit Committee before presenting to the Board of Directors for review and approval.

Re-appraisal should include, at a minimum, the fixation of asset code on each capital expenditure where it is required and mandatory and the analysis of following items by comparing the actual results with the one envisaged at the time of capital expenditure approval:

1. Cost
2. Board's approval
3. Spending according to the limits of authority

Forecasted future values should be based upon actual demonstrated data observed.