

MPUMALANGA PROVINCIAL GOVERNMENT



DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT

Asset Management Policy

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ASSET MANAGEMENT POLICY

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ASSET MANAGEMENT POLICY

1. DEFINITIONS

- Assets:** Resources controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
- Asset register:** The asset database and it includes both financial (e.g. purchase price, maintenance costs, depreciation, etc) and non-financial (e.g. classification, accountability, performance, etc) information.
- Biological assets:** Living animals and plants.
- Class of capital assets:** A grouping of assets of a similar nature or function in an entity's operation that is shown as a single item for the purpose of disclosure in the financial statements.
- Depreciation:** The systematic reduction in value of an asset representing the consumption of the economic benefits embodied in the asset.
- Fair value:** The amount for which an asset could be exchanged or liability settled, between knowledgeable, willing parties in an arm's length transaction.
- Immovable assets:** Assets that cannot be moved (e.g. land, buildings, bridges, roads, etc).
- Life cycle of an asset:** The useful life of an asset and covers the period from the planning phase, acquisition, operation and maintenance and disposal phase.
- Major capital asset:** An asset that costs R5000.00 and more (Including Value Added Tax).
- Minor capital asset:** An asset that costs less than R5000.00 (Including Value Added Tax).
- Movable assets:** Assets that can be moved (e.g. machinery, equipment, vehicles, furniture, etc.)

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2. INTRODUCTION

Most of the departmental assets are infrastructure assets with long life spans and enormous capital outlay and as a result, good asset management is critical in the process of acquiring, managing, controlling and safeguarding government property against theft, misuse, losses and wastage.

3. OBJECTIVE

The objective of this policy is to:

- 3.1. Ensure that the Departmental Assets are managed and utilised in the most effective way to achieve the set service delivery objectives per programme.
- 3.2. Provide guidelines and standards with a view to ensure that assets:
 - 3.2.1. Remain appropriate to programme requirements;
 - 3.2.2. Are effectively and economically utilised; and
 - 3.2.3. Are well maintained to support programme delivery at the lowest possible long-term costs.

4. REGULATORY FRAMEWORK

- 4.1. Public Finance Management Act, 1999 (Act of 1999 as amended by Act 29 of 1999).
- 4.2. National Treasury Regulations issued in terms of Public Finance Management Act, 1999.
- 4.3. Regulations in respect of the framework for Supply Chain Management issued in terms of the Public Finance Management Act, 1999.
- 4.4. Public Service Act, no. 103 of 1994
- 4.5. Government Immovable Asset Management Act no.19 of 2007(GIAMA)
- 4.6. National Treasury Circulars and Practice Notes
- 4.7. Firearms Control Act 60 of 2000
- 4.8. Security Policy of the Department of Public Works, Roads and Transport

5. SCOPE OF APPLICATION

This policy is applicable to:

- 5.1. All officials in the Department of Public Works, Roads and Transport.

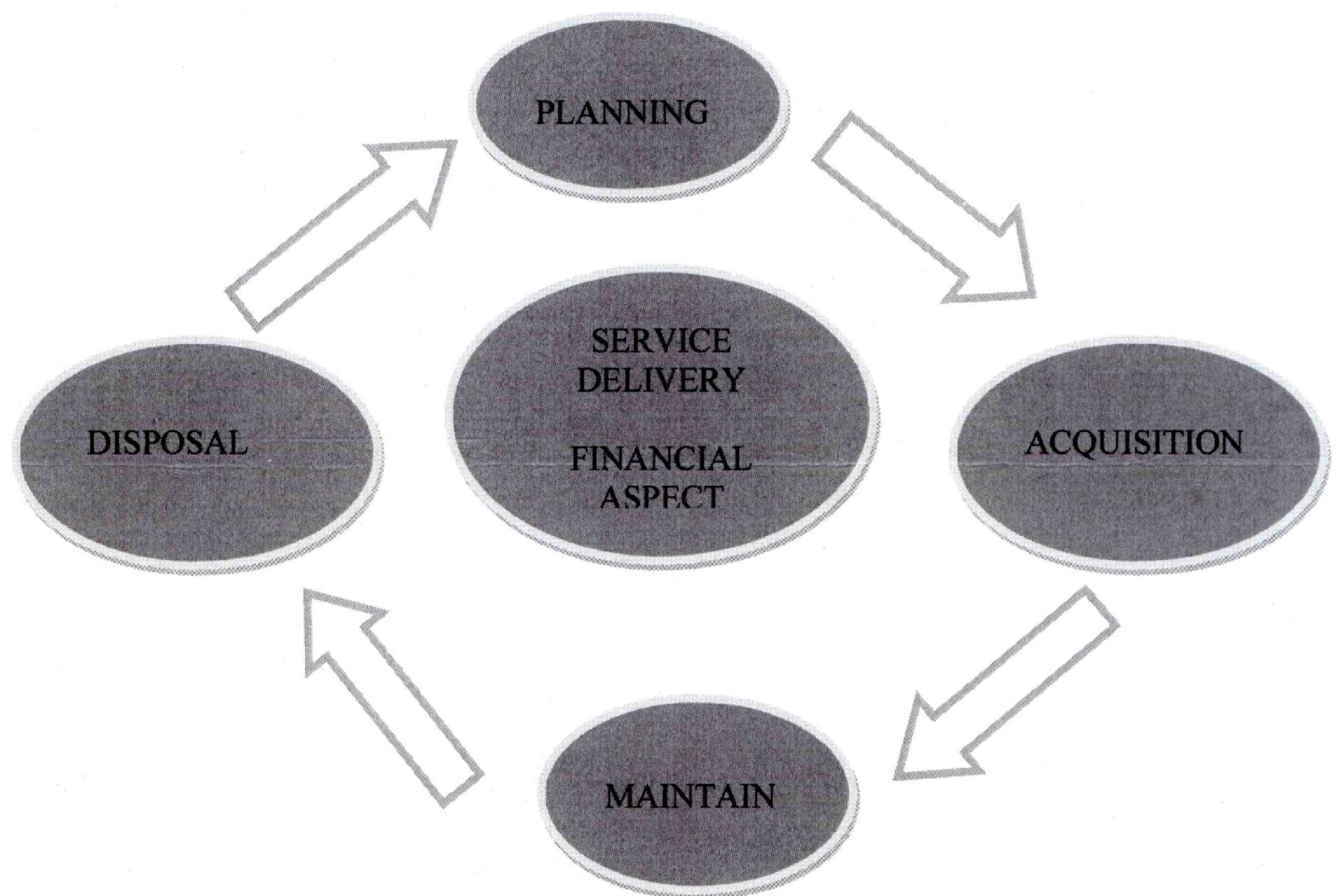
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6. POLICY STATEMENT

6.1. ASSET LIFE CYCLE

- 6.1.1. The life cycle approach shall be used in the management of capital assets. The long term use or existence of the assets shall be regarded and taken into account before decisions are made.
- 6.1.2. The total cost of the asset shall be considered before procuring and budgets should be aligned with the need for funds at the appropriate time and intervals.
- 6.1.3. The true total cost of an asset shall be readily determined through the maintenance of complete and accurate asset records.

FIGURE 1: ASSET MANAGEMENT CYCLE



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6.2. CLASSIFICATION OF ASSETS

Assets shall be recorded according to their classification in the asset register. When an asset is identified it must be placed in the relevant classification. All Capital assets shall be classified and grouped accordingly, e.g. property, plant & equipment, to ensure control, efficiency and adherence to management and reporting policies

6.3. USEFUL LIFE

The Department shall allocate useful life per asset category within the parameters as determined by National Treasury from time to time.

6.4. DEPRECIATION

The straight-line method of depreciation shall be used. Depreciation shall be calculated for the full month when the asset is acquired and not at all during the month of disposal.

6.5. THRESHOLD FOR REPORTING PURPOSES

- 6.5.1. Assets costing R5000-00 and above shall be reported in the disclosure notes of the Annual Financial statements as major assets. These assets shall be recorded in the asset register and depreciated over their useful life. In the statement of financial performance these items shall be reflected as Capital expenditure in the year of purchase.
- 6.5.2. Capital non-current assets costing less than R5000-00 will be entered in the asset register as minor assets and allocated a 100 % depreciation rate. These items are included in the Annual Financial Statement and shall be reflected as total minor assets and total value minor assets.

6.6. PLANNING FOR ACQUISITION OF ASSETS

- 6.6.1. Plans to procure assets shall be aligned to the Departmental strategic plan and budget allocations. The need to procure assets shall be identified based on service delivery plans.
- 6.6.2. The useful life of the asset shall be considered based on history and experience with similar assets.
- 6.6.3. The Asset Management Team shall consolidate the information about the financial impact on the budget process.

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6.7. ACQUISITION OF ASSETS

- 6.7.1. Acquisition of assets shall be in line with the acquisition plan as per the departmental strategic plan.
- 6.7.2. Departmental Assets shall be procured in accordance with the applicable procurement policy.
- 6.7.3. The Departmental Information Technology Committee shall first approve procurement of Information Technology equipment before a requisition is written.
- 6.7.4. In case of other assets, the asset management committee shall first approve the procurement of new assets or replacement of assets before either quotations / open tenders are invited depending on the applicable threshold.

6.8. RECEIPT OF ASSETS

- 6.8.1. An Asset Controller shall be appointed in writing in each decentralised office to ensure effective control and management of assets received and distributed.
- 6.8.2. The receiving officer shall carefully check every delivery before any delivery note is signed. Any evidence of damage or shortage shall be immediately inspected and reported and endorsed on the delivery note.
- 6.8.3. Every asset received, shall be marked using the Department's coding system and be immediately recorded in the asset register.

6.9. RECORDING OF ASSETS

- 6.9.1. All assets shall be recorded in the asset register at cost, upon the receipt of an item. The register shall contain at least the following information:
 - 6.9.1.1. Date of acquisition
 - 6.9.1.2. Cost price
 - 6.9.1.3. Description of an asset
 - 6.9.1.4. Asset classification
 - 6.9.1.5. Fixed asset unique number (in case of a movable asset, it must be both the asset serial number and unique bar code).
 - 6.9.1.6. Physical condition of an asset
 - 6.9.1.7. Location of an asset
 - 6.9.1.8. Depreciation
 - 6.9.1.9. Accumulated Depreciation
 - 6.9.1.10. Carrying value / net value of asset
 - 6.9.1.11. Details of additions / subtractions in carrying value

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6.10. SERIALIZATION/BAR CODING OF ASSETS

- 6.10.1. All assets shall be serialized/bar coded on the date of delivery or before payment is effected.

6.11. RECONCILIATION

- 6.11.1. The Asset register shall be reconciled against the financial system monthly, quarterly and annually by the responsible Asset Manager or his/her delegate.

6.12. OPERATION AND MAINTENANCE

- 6.12.1. All Responsibility Managers are responsible for the proper operation and maintenance of assets within their area of responsibility. Responsibility Managers shall ensure that officials to whom assets are allocated take good care of them.
- 6.12.2. Every Responsibility Manager shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R 100 000.00 or more is submitted to the Chief Financial Officer for approval.
- 6.12.3. Every Responsibility Manager shall be directly responsible for ensuring that all assets (other than the infrastructure assets mentioned above) are properly maintained with a view to attain their useful operating lives.

6.13. SAFEGUARDING OF ASSETS

- 6.13.1. The responsibility of safeguarding of assets rests with the official to whom the asset has been allocated.
- 6.13.2. Responsibility Managers shall be directly responsible for ensuring that all assets are properly maintained in a manner that will ensure that such assets attain their maximum useful life.
- 6.13.3. Responsibility Managers shall ensure that all assets allocated to employees within their area of responsibility are returned upon their termination of service or transfer and reported to the Asset Team within 5 working days before re-allocation to any end user or other directorates.

6.14. MOVEMENT / TRANSFER OF ASSETS

- 6.14.1. All officials shall be provided with a copy of the asset register applicable to their office/s, which shall be signed as acknowledgement of receipt of the assets.
- 6.14.2. Accounting Officer or his/her delegate shall authorize all movements/transfer of movable assets between users and divisions.

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- 6.14.3. The Cabinet or Executing Authority shall authorize movement / transfer of immovable assets.
- 6.14.4. No official may acquire, use, transfer, assign custody or dispose of an asset unless duly authorised in writing by the relevant Departmental Asset Manager.
- 6.14.5. Written approval shall be obtained from the relevant Asset Manager by any official for the removal of assets (whole or in part) for repairs, service or restoration.
- 6.14.6. Such movements/transfers shall be recorded in the asset register.

6.15. PHYSICAL VERIFICATION

- 6.15.1. The Asset Team shall at least conduct a physical verification of all assets on quarterly basis. The verification shall be undertaken to:
 - 6.15.1.1. Ensure the existence and condition of assets;
 - 6.15.1.2. Confirm the presence of bar-coded asset numbers; and
 - 6.15.1.3. Ensure the correctness and completeness of the assets register.
- 6.15.2. A report on findings shall be compiled and submitted to the Chief Financial Officer.
- 6.15.3. In case after the physical verification, large variances are noted, a board of survey shall be appointed by the Accounting Officer to conduct further investigation and recommend remedial action.

6.16. LOSSES, THEFT AND DAMAGES

- 6.16.1. Every Responsibility Manager shall ensure that any incident of loss, theft, destruction or material impairment of any asset controlled or used by the directorate / office in question is promptly reported in writing to the relevant Loss Control Officer and Security Manager within 48 hours. Failing which, the official entrusted with that asset shall be personally liable.
- 6.16.2. Losses and Damages due to criminal conduct shall be reported to the SAPS, Loss Control Officer and Departmental Security Management within 48 hours and case numbers shall be attached in instances where the matter was reported to the Police.
- 6.16.3. Losses and Damages that are not due to criminal conduct shall be reported to the Loss Control Officer and the Department Security Management within 48 hours.
- 6.16.4. Where an asset entrusted to an official is lost through the official's negligence or the asset is reported lost and it is later established that the official misrepresented that loss in order to misappropriate that asset, that official shall be held personally responsible for the cost of the asset. Such cost shall be recovered from that official in accordance with the Departmental Debt Management Policy.

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- 6.16.5. All cases of losses, theft and damages shall be investigated by the Departmental Security Management and that a report shall be submitted to the Asset Management Committee for consideration and recommendation to the Accounting Officer.
- 6.16.6. The Accounting Officer shall appoint one official per district and in Head Office as a Loss Control Officer. The Loss Control Officer shall be responsible for amongst other things:
- 6.16.6.1. Obtaining all details statements etc. in connection with damages and losses.
 - 6.16.6.2. Enter all losses and damages in a loss register.
 - 6.16.6.3. Follow up and settling such cases.
 - 6.16.6.4. Submit a monthly report to both the Senior Managers: Asset Management and Security Management.

6.17. LETTING OF ASSETS

- 6.17.1. The Department shall not initiate the letting of any asset without the approval of the Accounting Officer.
- 6.17.2. Letting of assets to private individuals or institutions shall be at market related value.
- 6.17.3. No property / asset shall be let free of charge unless approved by the Accounting Officer.

6.18. DISPOSAL OF ASSETS

- 6.18.1. All assets identified as redundant, obsolete and or unserviceable shall be reported by the Asset Manager to the Chief Financial Officer. The report shall detail:
- 6.18.1.1. full description of the asset;
 - 6.18.1.2. The bar-code;
 - 6.18.1.3. Location of the asset
 - 6.18.1.4. The condition of the asset; and
 - 6.18.1.5. Reason / cause for the obsolescence or redundancy
- 6.18.2. Disposal of assets shall be at a market related value by tender, auction, trade in, write off and donation, whichever is most advantageous to the state, unless determined otherwise by the Provincial Treasury.
- 6.18.3. Redundant, obsolete and unserviceable assets shall be disposed of at least once per quarter.
- 6.18.4. No firearm shall, however be sold or donated to any person or institution within or outside the Republic of South Africa without following the prescripts of the Fire Arms Control Act.

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6.19. QUARTERLY REPORTING

6.19.1. On quarterly basis, the Senior Manager: Asset Management shall report in writing to the Chief Financial Officer, on the status of assets in the Department. Such report shall include significant acquisitions and disposals of assets and any other matters pertaining thereto.

6.19.2. The Senior Manager: Asset Management shall report to the Provincial Treasury on quarterly basis as determined by National Treasury.

6.20. FINANCIAL REPORTING

6.20.1. Assets shall be accounted for in the asset register and shall be disclosed in the Annual Financial Statements in accordance with the applicable National Treasury Guidelines.

6.21. ASSET MANAGEMENT COMMITTEE

6.21.1. The Accounting Officer shall appoint the Asset Management Committee in writing. This committee shall be responsible for the following:

- Considering applications for the acquisition of new assets and replacement of movable assets excluding IT related issues;
- Considering applications for the acquisition of items lost due to theft and damages, and
- Managing disposal of redundant, obsolete and unserviceable assets.

6.21.2. The Committee shall be composed of the following managers:

- 6.21.2.1. Asset Management
- 6.21.2.2. Security Management
- 6.21.2.3. Revenue Management
- 6.21.2.4. Government Motor Transport
- 6.21.2.5. Strategic Planning
- 6.21.2.6. Management Accounting
- 6.21.2.7. Financial Accounting
- 6.21.2.8. Property Legal Support
- 6.21.2.9. Districts Finance Managers

6.21.2.10. The Chairperson shall at anytime during the process of evaluation of specialized assets co-opt an additional member who possesses specialized knowledge in the relevant field, in writing.



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7. ROLES AND RESPONSIBILITIES

7.1 EXECUTIVE AUTHORITY

- Authorisation of movement / transfer of immovable assets.

7.2 PROVINCIAL TREASURY

- Approval of disposal of assets identified as redundant, obsolete and / or unserviceable at market related value by tender, auction, trade-in, write-off and donation, whichever is most advantageous to the state.

7.3 ACCOUNTING OFFICER

- Appointment of Asset Management Committee in writing;
- Appointment of one official per district and in Head Office as a Loss Controller Officer;
- Approval of letting of any assets;
- Authorisation of all movements / transfer of movable assets between users and divisions; and
- Appointment of a board of survey to conduct further investigation and recommend further remedial action in case after the physical verification, large variances are noted.

7.4 ASSET MANAGEMENT COMMITTEE

- Consideration of applications for the acquisition of new assets and replacement of moveable assets excluding Information Technology (IT) related issues;
- Considerations of applications for the acquisition of items lost due to theft and damages; and
- Managing the disposal of redundant, obsolete and unserviceable assets.

7.5 RESPONSIBILITY MANAGERS

- Ensuring maintenance and proper operation of assets within their area of responsibility;
- Submission of a maintenance plan in respect of every new infrastructure asset with a value of R 100 000.00 or more to the Chief Financial Officer for approval;

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- Ensuring that all assets allocated to employees within their area of responsibility are returned upon their termination of service or transfer and reported to Asset Management Team within 5 working days before re-allocation to any end user or other directorates;
- Ensuring the reporting of any incident of loss, theft, destruction or material impairment of any asset controlled or used by the directorate / office in question is promptly reported to the relevant Loss Control Officer and Security Management within 48 hours.

7.6 LOSS CONTROL OFFICER

- Obtaining of all details statements in connection with damages and losses;
- Registering of all losses and damages in a loss register;
- Following-up and settling of all cases of losses and damages; and submission of monthly reports to both Asset Management and Security Management.

7.7 ASSET MANAGEMENT

- Consolidation of information about the financial impact on the budget process on plans to procure assets;
- Aligning of acquisition plans as per the departmental strategic plans and budget allocations;
- Conducting physical verification of all assets on a quarterly basis;
- Compilation and submission of reports on physical verification to the Chief Financial Officer;
- Serialisation / bar cording of assets on the date of delivery or before payment is effected;
- Recording of assets in the asset register at cost, upon receipt of the assets;
- Reconciling of the asset register against the financial system on a monthly, quarterly and annually basis;
- Issuing of written approval for the removal of assets (whole or in part) for repairs, service or restoration;
- Providing all employees with a signed copy of the asset register applicable to their office/s; and
- Monitoring and reporting deviations, in writing, for the implementation of the policy to the Accounting Officer.

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8. MONITORING AND EVALUATION

The Asset Management section shall monitor the implementation of the policy and shall report any deviations to the Head of the Department in writing.

9. POLICY REVIEW

The policy shall be reviewed to factor in changes in legal frameworks, organisational development, political and economic trends, and envisaged outputs by the Medium Term Expenditure Framework as well as outcomes of monitoring and evaluation.

10. APPROVAL

APPROVED



KM MOHLASEDI
HEAD OF DEPARTMENT

DATE: 2011/5/5