PROVINCE OF THE EASTERN CAPE

DEPARTMENT OF EDUCATION

CHIEF DIRECTORATE: SUPPLY CHAIN MANAGEMENT

DIRECTORATE: ASSET MANAGEMENT

ASSET MANAGEMENT POLICY

EFFECTIVE DATE (01 APRIL 2016)

1 DOCUMENT DEFINITION

1.1 LEGAL MANDATE

a) In terms of the Public Finance Management Act; the Accounting Officer of the department must and is expected to:

   i. Be responsible for effective, efficient, economic and transparent use of the resources of the department as per section 38(1)(b)
   ii. Be responsible for the management, including safeguarding and the maintenance of assets, and for the management of liabilities of the department as per section 38(1)(d)
   iii. Must keep full and proper records of the financial affairs of the department in accordance with the prescribed norms and standards as per section 40(1)(a)

b) Treasury Regulations 10, 12 and 16A7 outline responsibilities on the management of assets, losses; disposal and letting of assets respectively. There are also accounting standards and related guidelines which are released by the Nation Treasury to facilitate sound management of all assets in government.

c) The South African Schools Act No 84 of 1996, section 37 (5) and (6) state that all assets acquired by the public school are the property of the school and therefore requires necessary safeguarding by the school.

1.2 APPROVAL

PREPARED BY:

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(Act) **CHIEF DIRECTOR: SCM**

REVIEWED BY:

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CHIEF DIRECTOR: SMME

RECOMMENDED BY:

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A **CHIEF FINANCIAL OFFICER**

DATE: 13|05|2016

APPROVED BY:

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ACCOUNTING OFFICER

DATE: 27/05/2016

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2 POLICY STATEMENT

Asset management guides the acquisition, use, safeguarding and disposal of assets. This process is performed based on the following four principles:

a) Assets management is integrated with corporate and business plans, budgetary and reporting processes based on a sound asset management strategy.
b) All asset related decisions are based on evaluation of alternatives which consider full asset life-cycle costs, benefits and risks of assets.
c) Asset ownership and control are adequately defined including determination of accountability and reporting requirements.
d) All asset management activities are performed within the integrated government policy framework.

This policy serves to promote the above principles and provide policy framework for the asset life-cycle management. The Asset Management Section together with all Asset Management Practitioners of the Department of Education is assigned with the responsibility to ensure sound management of all movable assets owned and held for service delivery purposes.

2.1 POLICY OBJECTIVES AND APPLICABILITY

The objectives of this asset management policy and procedures are:

To prescribe the accounting and administrative policies and procedures relating to capital assets of the Eastern Cape Department of Education.

a) To ensure proper recording and safeguarding of departmental assets whilst also giving effect to the Section 45 of the Public Finance Management Act on the responsibilities of all officials in respect of assets in their custody.
b) To provide for effective, efficient and economical asset life-cycle management procedures which takes into account best practices in the field.
c) To promote the culture of accountability over the resources of the department.

This policy and procedures applies to all the movable assets owned by the Eastern Cape Department of Education.

2.2 LEGISLATIVE AND POLICY FRAMEWORK

In terms of the Public Finance Management Act; the Accounting Officer of the Eastern Cape Department of Education must and is expected to:

a) Be responsible for effective, efficient, economic and transparent use of the resources of the department as per section 38 (1) (b)
b) Be responsible for the management, including safeguarding and the maintenance of assets, and for the management of liabilities of the department as per section 38(1) (d)
c) Must keep full and proper records of the financial affairs of the department in accordance with the prescribed norms and standards as per section 40 (1) (a);

Treasury Regulations 10, 12 and 16A7 outline responsibilities on the management of assets, losses; disposal and letting of assets respectively. There are also accounting standards and related guidelines which are released by the Nation Treasury to facilitate sound management of all assets in government.

The South African Schools Act No 84 of 1996, section 37 (5) and (6) state that all assets acquired by the public school are the property of the school and therefore requires necessary safeguarding by the school.

3 ROLES AND RESPONSIBILITIES

3.1 ROLE OF THE ACCOUNTING OFFICER

a) Section 38 (1)(d) of the PFMA (No. 1 of 1999 as amended by Act 29 of 1999) and chapter 10 paragraph 10.1.1 of the Treasury Regulations place the responsibility of asset management with the Accounting Officer of the Department.

b) The Accounting Officer shall be the principal custodian of all the department's assets, and shall be responsible for ensuring that the asset management policy is scrupulously applied and adhered to.

c) The Accounting Officer is in terms of the provisions of this Act responsible for:
   i. The management including the safeguarding and maintenance of assets belonging to the department.
   ii. Ensuring that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the department's assets.
   iii. Ensuring that the department has and maintains appropriate procurement and provisioning processes which are fair, equitable, transparent, competitive and cost effective in controlling all movable assets.
   iv. Assigning /delegating Inventory Controllers in writing.

3.2 ROLE OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer ensures that a complete, accurate and up-to-date computerised asset register is maintained. The CFO delegates asset management functions to the Asset Manager.

The Asset Manager:

a) Ensures that the Asset Register is maintained, verified and balanced regularly.

b) Ensures that assets are verified at least once per financial year. The asset verification report:
   i. Reflects a complete list of all assets found during the verification
   ii. Reflects whether appropriate records have been maintained
   iii. Reflects any variances between the assets verified and the recorded assets in the Asset Register

c) Ensures reasons for variances recorded, investigated and corrective measures taken

d) Ensures that the Asset Register is reconciled monthly with the general ledger and reviewed by the Head of the Asset Management Unit
e) Ensures that acquired assets are clearly marked / bar-coded on the date of delivery or on receipt date
f) Provides the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to the department as recorded in the Asset Register
g) Ensures that a system of unique asset numbers is implemented and maintained.

3.3 ROLE OF ALL DIRECTORATES

The directorates have the following responsibilities in terms of the safeguarding of assets:

a) Employees in the respective Directorates adhere to the approved Asset Management Policy.
b) Assets are properly maintained in accordance with the respective asset maintenance policy.
c) Assets and or inventory items of the department are not used for private gain.
d) Are accountable and responsible for all assets allocated to his/her Directorate.
e) Notifying the Asset Management Unit in writing of any changes in the status of the assets under the directorate's control.
f) All obsolete, redundant, unserviceable and broken assets are reported in writing to the asset management section without delay.
g) The departmental assets are economically used and meet the needs and the role in sustaining performance levels.
h) A formal handover of assets is done when changing or leaving offices including notifying the asset management unit of any movement in assets or change is responsibility/accountability.

3.4 THE HUMAN RESOURCE DIRECTORATE

a) All department assets are received back from the employee before the resignation is finalized.

3.5 DISTRICT OFFICES

a) District Directors

   i. The District Directors have the same status as head office directorates or responsibility managers.
   ii. They are responsible for ensuring that state assets at district level are properly maintained / managed.
   iii. They account for the non-submission of the asset management reports and may approve the purchasing of assets according to their delegations.
   iv. They are responsible for the maintenance of the asset register.
   v. The District Directors are to appoint the Principals and Cost Centre Managers as Inventory Controllers.

b) Education Development Officers (EDOs)

i. The above officers are also known as circuit managers and have an important role to play on the management and maintenance of the departmental assets.
ii. They have to enforce the implementation of Section F Chapter 6 of the Manual for School Management.
iii. They have to ensure that stocktaking boards are established and that school principals conduct stock taking and submit reports at least once in a financial year.
iv. It is also their responsibility to check enrollment against the available assets, see to it that surpluses and redundant assets are transferred to schools where there is a need.
v. They must submit recommendations and motivate for acquisition of school furniture.
vi. It is also their responsibility to sensitise school principals and ensure that donations, losses and items that need to be disposed of are reported with immediate effect.
vii. They must further arrange with asset management unit in the District for the conducting of workshops on all asset management related matters when the need arises.
viii. They must ensure that all school principals are appointed as inventory controllers and are given duty sheets.
ix. They must also ensure that school principals do comply with the National Treasury guidelines as far as asset management is concerned.
x. It is their responsibility to ensure that appropriate action is taken against those who fail to adhere to these guidelines.

4 ASSET OPERATIONS AND RELATED PROCESSES

4.1 ASSET CLASSIFICATION

a) Major capital asset

A major capital asset is an asset which costs R5 000 or more, inclusive of VAT. This includes intangible items such as computer software, if their cost, all inclusive, is R5 000 or more. A major asset is acquired with capital funds under the capital budget of the Department. Immoveable assets are always major assets.

b) Minor capital asset

A minor capital asset is an asset which costs less than R5 000, inclusive of VAT. A minor asset is acquired with operational funds under the current budget of the Department.

c) The following assets shall all be classified under Machinery and Equipment in the annual financial statements:

i. Transport assets
ii. Computer equipment

iii. Office Equipment
iv. Furniture
v. Other machinery and equipment
vi. Books
vii. Vehicles

4.2 ASSET CATEGORIES

a) **Tangible capital assets**

Tangible capital assets are non-monetary assets having physical substance that:

i. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes or for the development, construction, maintenance or repair of other capital assets; and

ii. are expected to be used during more than one reporting period

b) **Intangible Capital Assets**

Intangible capital assets are identifiable non-monetary asset without physical substance. This asset must be controlled by the department e.g. Computer Software

4.3 ACQUISITION OF ASSETS

a) The Programme Managers should consider their assets needs for alignment with the budget process every financial year.
b) The Asset Managers should during the Strategic Planning process; request the asset needs information from Programme Managers and this should form the basis for the Assets Acquisition Plan.
c) Asset Managers are required to draw up or review and update an existing Acquisition Plan taking into consideration the needs that are identified; the timing and duration of the need.
d) The process for development or review of an Asset Acquisition Plan includes:
   i. A need for an asset may be planned for and included on the initial Strategic Planning process and budgeted for at the beginning of the financial year, however, ad hoc needs may arise during the year where motivation and approval is needed before the need can be supported.
   ii. The various options available to fulfil the need are analysed and must be recommended for appropriate approval.
   iii. A provisioning form will be completed and forwarded to the section responsible for the procurement of the asset. This section will be required to work in accordance with Asset Management procedures and processes.
   iv. Once the supplier is identified, the relevant section should complete a provisioning form and forward it to the section responsible for placing an order in the asset system.
   v. The supplier makes delivery of the asset to a logistics manager who plans the receiving, storage, deliver to end user and the capturing of the details of the delivery on the asset system.
   vi. Departments must cross reference the invoice to asset unique number as issued (i.e. Barcode number) as this will create a link between the physical asset, the asset register and supporting documentation and assist to identify payments on financial system.

vii. Procurement of an asset on LOGIS Integration ensures that the details of the asset are already updated on the asset register. The Asset Manager should just check whether pre-set details are accurately recorded on asset receipt.

viii. Once the new asset is delivered, the Asset Manager would ensure that the asset is correctly allocated to the end user and that it is secured or safeguarded appropriately. The end user assuming custody of an asset should endorse the inventory list which is then placed behind the office door for ease of verification.

ix. An Acquisition Plan needs to be updated annually, however, throughout the year, when needs, officials or circumstances change the plan may require periodic updates during the year.

4.4 RECEIPT AND INITIAL RECOGNITION OF ACQUIRED ASSETS

a) Upon initially recording of a capital asset, a department shall determine whether the capital asset is a minor or major capital asset and record the asset as such.

b) A movable asset that qualifies for recording as a capital asset shall be measured at its cost. The cost is the actual amount paid for the asset.

c) Cost of a capital asset is defined as the total cost of acquisition. This comprises:

   i. Purchase price, including import duties and non-refundable purchase taxes, after deducting all trade discounts and rebates

   ii. Any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in an intended manner (installation, site preparation, professional fees, cost of testing whether an asset functions properly etc.)

d) Where a movable asset is acquired through a non-exchange transaction from non-government entities, its cost shall be measured at its fair value as at the date of acquisition.

e) Where the cost cannot be determined reliably, the movable asset is measured at its fair value. Where fair value of the movable asset cannot be determined, the movable asset is measured at R1. The use of fair value or R1 as initial measurement for initial recording purposes is regarded as the movable asset's deemed cost.

f) For items where there is no cost to the department (e.g. gifts or transfers without cost) the standards require that they be recorded at their fair value.

g) For transfers between departments, on a restructure of functions, assets should initially be recorded at the value at which they were carried in the books of the transferring department.

4.5 UNIQUE ASSET NUMBERS

a) All assets purchased must be assigned a unique asset number and the physical location where it is situated in order for it to be tracked, effectively controlled and maintained.

b) Newly acquired assets must be marked on the date of delivery or within 2 working days of receipt of the asset by the designated Asset Management Official who is responsible for the receipt thereof. This is to the advantage of the Department as it:

   i. provides an accurate identification of assets

ii. aids in the physical asset verification
iii. identifies the location of physical assets
iv. assists in the effective maintenance of assets

c) All marked assets must be recorded in the Asset Register, within 20 working days of receipt thereof.

d) Each office must ensure that all assets are numbered according to the unique numbering system (Bar Coding) and that this is scrupulously applied in respect of all assets controlled or used by each office in the Department.

e) The End User Official is responsible to report the loss of a barcode on an asset to the Asset Management Unit within 1 day of the loss of the barcode.

f) Every Active asset must be supported by an Asset Issuance Form.

g) The CFO has the overall responsibility for the efficient functioning of the Asset Identification System.

4.6 ASSET REGISTER AND ITS REQUIREMENTS

a) The Asset Management Unit maintains and updates the asset register.

b) An asset register ensures assets accountability and maintenance whilst also providing the basis for the accounting disclosure required by the CFO to account for assets in the custody of the department.

c) **Format of the Asset Register**

The asset register must at a minimum contain the following information:

i. Acquisition date
ii. Acquisition cost
iii. Location
iv. Identity (using bard code numbers and predetermined asset descriptions)
v. Accountability (including details of the responsible official
vi. Condition of the asset
vii. Assets useful life
viii. Disposals
ix. Losses and damages
x. An indication of whether the asset is idle, active, impaired, or obsolete
xi. Any other financial data necessary to discharge the statutory reporting obligations

d) **Maintenance of Asset Register**

i. All newly acquired assets and related information must be recorded in the Asset Register.
ii. The Asset Register should be updated with the disposed and transferred assets.
iii. The Asset Register must be updated immediately with variances arising from verification.
iv. The Asset Register maintained on LOGIS must be reconciled and updated on a monthly basis with BAS. The reconciliation should be performed by the designated Asset Management Official and reviewed by

the Asset Manager. This reconciliation is an important pre-requisite in preparation for reliable financial statements at the end of the financial year.

v. District Supply Chain/ Asset Management Office are responsible for updating Asset Registers with the assets that are in district offices.

vi. District Supply Chain/ Asset Management Office should submit monthly updated additions to the Head Office for consolidations

4.7 MOVEMENT OF ASSETS

a) No asset will be transferred or moved without the proper approval by the delegated officials. Upon the issuance of an asset to an End User, the designated Asset Management Official is responsible to ensure the completion of an Asset Issuance Form, which form will be signed by both the responsible Asset Management Official as well as the End User.

b) The Asset Issuance Form is the basis used by the designated Asset Management Official to update the Asset Register. The Asset Register must be updated on a weekly basis for all assets issued, in terms of location, responsibility and whether the asset is IDLE or ACTIVE.

c) Upon issuance of the asset, the designated Asset Management Official is responsible to ensure the Asset Inventory List in the relevant location of the End User is updated. Both the Asset Management Official and the End User must sign the Asset Inventory List.

4.8 ASSET TRANSFERS

a) When assets of the Department are transferred to another Department or other institution in terms of legislation or following a re-organisation of functions, the AO or his/her delegate must comply with Sections 42(1)(a–b),(2), (3) and 76(1)(k) of the Public Finance Management Act, and must:

i. draw up an inventory of such assets

ii. provide the AO for the receiving department or other institution with substantiating records, including personnel records of staff to be transferred

iii. sign the inventory when the transfer takes place. The AO for the receiving department or other institution must also sign the inventory

iv. file a copy of the signed inventory with the relevant treasury and the Auditor-General within 14 days of the transfer.

v. The AO may transfer movable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers

4.9 ASSET VERIFICATION

a) All assets shall be physically verified and confirmed annually.

b) The responsibility for the physical verification of assets vests with the Asset Management Unit, and it is the responsibility of the Director: Supply Chain and Asset Management to designate certain officials to undertake this responsibility.

c) The physical verification of assets assists in the managing, controlling and monitoring the assets of the Department.

d) All assets must be physically verified for existence and for condition at least once in a Financial Year. Whether this is performed on a once-yearly basis for all assets or on a rotational basis, is at the discretion of the Director: Supply Chain and Asset Management.

e) The physical verification must be performed by physical inspection of all assets by the Physical Verification Team, using the appropriate Departmental approved format.

f) Verification of assets ensures that the quantity of assets corresponds with the balances that are reflected on the Asset Register, which forms the basis of preparation for the financial statements.

g) Verification of assets ensures the identification of obsolete, redundant, or unserviceable items in offices, where responsible End Users may not have performed the physical verification correctly.

h) All information captured by the Physical Verification Team is used to update the Asset Register within 2 days after the physical verification has been completed by the designated Asset Management Officials.

i) Shortages and surpluses identified must be justified in writing by the responsible Asset Controllers. Such shortages and surpluses must be communicated within 7 days of the physical verification to the CFO. The CFO is responsible to approve all corrective measures as recommended by the Director: Supply Chain and Asset Management.

j) Asset Controllers must co-sign the Spot Check forms used by the Physical Verification Team as evidence that they have agreed with the findings of the physical verification.

k) The physical verification consists of two way checks:

a) One check as per the list printed by the Assistant Director: Asset Management, which confirms that assets which are listed on the Asset Register do in fact exist.

b) The other check is to randomly select assets from the various locations and ensure that these are included (per barcode) on the Asset Register. This guarantees that all the assets used by the Department are included on the Asset Register.

4.10 SUBSEQUENT EXPENDITURE

a) Any subsequent expenditure incurred on an existing capital asset that is of a capital nature is added to the cost of that asset.

b) Where the subsequent expenditure relates to a project that spans over more than one financial year, the project costs are carried in work in progress as incurred and added to the cost of the capital asset when ready for use. Any cost incurred subsequent to that must be added to the cost of the asset until the total project cost has been accounted for at the end of the project.

c) Repairs and maintenance are expensed as current "goods and services" in the statement of financial performance.

4.11 MAINTENANCE AND REPAIRS

a) The End User is responsible to report instances or the need for maintenance or repairs to be carried out on an asset under his/her control, to his/her relevant asset controller.

b) The Asset Controller must make a recommendation to the delegated Chief User Clerk to make requests to the Supply Chain Management Unit.

c) The recommendation must be based on the Asset Controller's assessment of the need for the asset to be repaired.

d) The Asset Controller must make an assessment as to whether the End User must be held responsible for the repair costs.

e) Normal Supply Chain Management procedures must be followed in the selection of the service provider to repair/maintain the asset

4.12 ASSET DISPOSALS

a) Any asset which is found to be no longer of use within the Departmental context can be disposed of.

b) Assets which have been identified during the continuous monitoring of the Asset Register as obsolete due to condition or functionality should be disposed of to ensure optimal efficiency of the Department.

c) Assets which are idle due to disuse for functional reasons (i.e. they serve no function in the Department) are considered for disposal.

d) The Deputy Director: Asset Management determines this, based on information obtained through the investigation of the idle assets.

e) An official who requires an asset to be disposed of can fill in an asset request form.

f) Recommendations for disposal are sent to the Director: Supply Chain and Asset Management.

g) Such disposals are only made upon due authorisation by the AO of the Department, based on the recommendations of the Asset Disposals Committee.

h) The Asset Disposals Committee is comprised of at least three members, of which all members have appropriate knowledge of the processes involved in the disposals of assets and the requirements of legislation. This is ensured by having as members of the Committee, at least two members from the Asset Management Unit and one from the Finance Unit.

i) The Asset Disposals Committee is recommended by the CFO and appointed by the AO.

j) When assets of the Department are disposed of, the AO or his/her delegate must comply with Section 76(1)(k) of the PFMA and TR 16A7, and must:

i. dispose of movable assets at market-related value or by way of price quotations, competitive bids or auction, whichever is most advantageous to the department, unless determined otherwise by the relevant treasury
ii. ensure that any sale of immovable state property is at market-related value, unless the relevant treasury approves otherwise
iii. when disposing of computer equipment, firstly approach any state institution involved in education and/or training to determine whether such an institution requires such equipment. In the event of the computer equipment being required by such a state institution, the AO or accounting authority may transfer such equipment free of charge to the identified institution
iv. when movable assets are written off (no longer in use), note it in the Asset Register
v. comply with Treasury Regulation 17.2.3 regarding the retention of certain types of records, i.e. "subsidiary ledgers, including inventory cards and records relating to assets no longer held or liabilities that have been discharged, can be disposed of after 5 years".

k) Prior to the disposal of assets, the assets must first be presented to the Department by means of a Circular. Such presentation allows officials within the Department to express a need for the particular type of asset. Should the official request the asset, it is allocated to him/her at the discretion of the Asset Management Unit. Normal issuance procedures apply.
l) All disposals must be recorded in the Asset Register by the designated Asset Management Official within 2 days of receipt of the appropriate documentation of sale.
m) At the conclusion of its monthly meetings the Committee must make a submission to the Director: SC and Asset Management on which assets will be sold and which assets will be disposed of.
n) Asset listings must be updated by the relevant Asset Controller.

5 SAFEGUARDING OF ASSETS

All assets and related information must be recorded in the Asset Register, regardless of funding source.

5.1. The Accounting Officer should ensure that preventative mechanisms are in place to eliminate theft, losses, wastage, and misuse. To be managed effectively, assets must be protected against theft or fraudulent use and other hazards such as fire. Assets must therefore be adequately protected to minimize financial loss to the government.
5.2. Every Head of Directorate shall be directly responsible for the physical usage and safeguarding of any fixed asset controlled or used by the Directorate in question.
5.3. The responsibility for the safeguarding of assets vests with each official to whom assets have been allocated. Items not in use are to be stored in a central location with a designated official given responsibility for its security.
5.4. Every Programme Manager for each programme shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the directorate in question.

5.5. In exercising this responsibility, every programme manager shall adhere to the asset management policies and procedures with regard to the control of or safekeeping of the department's fixed assets.
5.6. The responsibility for the safeguarding of assets vests with each official to whom assets have been allocated. Items not in use are to be stored in a central location with a designated official given responsibility for its security.
5.7. All assets must be bar coded, properly marked with the state ownership mark and recorded according to the required standards to denote government ownership.
5.8. Buildings and premises that contain the department's assets must be effectively locked or securely stored.
5.9. A person in charge of valuable assets must take steps to ensure the safe custody thereof and shall take precautions against loss or theft.
5.10. Fire extinguishing equipment must be available and placed in strategic points where assets are kept. Such apparatus must be serviced regularly and the date of service indicated thereon. No person shall smoke in a warehouse where assets are stored. Notices to this effect must be affixed.
5.11. Assets must therefore be adequately protected against any risk to minimise financial loss to the Government.

6 ASSET ACCOUNTING AND REPORTING

6.1 IMMOVEABLE CAPITAL ASSETS

a) Immovable capital assets are initially recorded in the notes to the financial statements at cost. Immovable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.
b) Where the cost of immovable capital assets cannot be determined accurately, the immovable capital assets are measured at R1 unless the fair value of the asset has been reliably estimated, in which case the fair value is used.
c) All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.
d) Immovable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.
e) Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the immovable asset is recorded by another department in which case the completed project costs are transferred to that department.

6.2 MOVEABLE CAPITAL ASSETS

a) Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.
b) Where the cost of movable capital assets cannot be determined accurately, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.
c) All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.

d) Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

e) Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

6.3 INTANGIBLE ASSETS

a) Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

b) Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.

c) Where the cost of intangible assets cannot be determined accurately, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.

d) All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.

e) Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

f) Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

7 LOSS/MISUSE OF ASSETS

7.1. The safekeeping of assets is the responsibility of the individual in custody of that asset.

7.2. Should a loss or damage to the asset occur, such loss or damage should be reported to the police within 24 hours.

7.3. A detailed report should then be submitted to the Loss Control Officer together with the police case number.

7.4. All cases should be recorded in the Loss Control Register.

7.5. All cases of losses, damages or theft should be properly investigated by obtaining all particulars and statements relating to such loss.

7.6. Should it be established that the loss or damage occurred as a result of negligence or misuse by an individual responsible for that asset, the cost of replacing the asset should be recovered from the official concerned. If the asset was insured, the individual should be liable for the payment of excess resulting from the claim of that asset.

7.7. The Loss Control Officer should make a follow up and obtain a progress report from the police as the case has to be finalized and closed within a period of six (6) months should there be no progress.

7.8. All cases will only be written off after approval by the Head of the Department or by an official delegated to do so.

8 RISK MANAGEMENT

8.1. Asset Management Section must identify any risk that might be involved in the use or management of assets.

8.2. The responsible programme manager in conjunction with the Asset Management Section must manage all identified risk areas in respect of the asset items and the environment that the items are utilized to mitigate the risks to an acceptable level.

8.3. End users must ensure that items are always locked up safely away where necessary when items are not in use.

8.4. Asset Management Section and Programme Managers must ensure that only authorized Departmental Officials are allowed to use or operate the assets.

8.5. Offices should be locked as far as possible and access if it is not possible to lock offices should be restricted to officers to keep the items safe.

8.6. As indicated officials within the programmes will be required to where applicable sign and take responsibility for asset items issued to them or under their control.

9 MANAGEMENT REPORTING

9.1 Monthly reporting

On a monthly basis the Deputy Director and Director of Supply Chain Management compile a reconciliation report of physical assets. This report is for the CFO and National Treasury.

9.2 Quarterly Reporting

On a quarterly basis, the CFO must report in writing to the AO on the current situation of assets in the Department. Such reporting must include acquisitions, disposals, the usage of assets, letting of assets, the extent to which assets have been procured in terms of the Consolidated Procurement Plan and the budget so far used, and remaining, for the purchase of assets. The CFO must present the report to the AO.

10 NON-COMPLIANCE

10.1. Where an official is suspected of breaching this policy, an internal investigation must be undertaken, and depending on the outcome, Departmental, civil and/or criminal legal action will be taken against the official.

10.2. Any disciplinary action arising from the breach of the Management and Control of Fixed Asset Policy is undertaken according to the disciplinary code and grievance procedure of the Department.

11 IMPLEMENTATION

11.1. This policy is effective from date of approval.

11.2. Responsibility for the implementation of this policy rests with the Chief Director: Corporate Services.

12 GLOSSARY OF TERMS

Accounting policies	The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.
Asset acquisition	The process by which an entity assumes control of an asset.
Asset disposal	The process by which an entity relinquishes control of an asset through decommissioning or selling thereof
Asset management	The process of guiding the acquisition, use, safeguarding and disposal of assets to make most of their service delivery potential and manage related risks and costs over their entire life
Asset register	The asset register is the asset database that provides the basis for the figures in the financial statements. It includes information on asset purchase prices, asset condition and expected life.
Asset strategy	The means by which an entity proposes to manage its assets (across all phase of the life cycle) to meet service delivery needs most cost-effectively.
Asset useful life	Useful life is the expected period of time over which an asset is to be used by the entity.
Asset utilization	A measure of how effectively an asset is being used to meet the entity's service delivery objectives
Capitalization	The process whereby expenditure is charged to an asset account rather than to expense account
Control of an asset	An entity is deemed to control an asset if it has the capacity to benefit from the asset in pursuing its objectives
Direct costs	Costs that can be specifically assigned and directly attributed to an asset
Maintenance	The work needed to maintain an asset in a condition that enables it to reach its service potential over its useful life. Maintenance does not extend but achieve an asset's useful life(current expenditure)
Needs analysis	A thorough analysis to compare community demands, expectations and needs with current and possible sources of service supply.
Useful life	The time period over which it is expected that an asset will be used by the department before it becomes uneconomical to do so.