



Province of the
EASTERN CAPE
RURAL DEVELOPMENT AND
AGRARIAN REFORM



**ASSET MANAGEMENT POLICY
AND
PROCEDURES**

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LIST OF ACRONYMS

ECDRDAR	Eastern Cape Department of Rural Development and Agrarian Reform
AMP	Asset Management Policy
LOGIS	Logistical Information Systems
CFO	Chief Financial Officer
NT	National Treasury
ECDRA	Eastern Cape Rural Development Agency
PM	Programme Manager
PT	Provincial Treasury
GRAP	Generally Recognised Accounting Practice
SG	Superintendent General
PFMA	Public Finance Management Act
PPE	Property, Plant and Equipment
SCOA	Standard Chart of Accounts
AR	Asset Register
IT	Information Technology
SCM	Supply Chain Management
DGITO	Departmental Government Information Officer(s)
BAS	Basic Accounting System

DEFINITIONS AND TERMS

In this policy, unless the context indicates otherwise the following terms will bear the meaning assigned to them and cognate expressions will bear corresponding meanings:

TERM	DEFINITION
Asset Management	Asset Management encompasses planning/demand management, acquisitions, operations, maintenance, and disposal of assets.
Asset	Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
Major asset	A major capital asset is an asset that costs R5 000 and more (all inclusive) per item.
Minor asset	A minor capital asset is an asset that costs less than R5 000 (all inclusive) per item.
Non-monetary assets	Assets that are acquired, constructed or developed that do not normally provide resources to discharge existing liabilities, but instead: are normally employed to deliver government services; may be consumed in the normal course of operations; and Are not for sale in the normal course of operations.
Tangible Capital Assets	Are non-monetary assets having physical substance that: are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets; have useful economic lives extending beyond an accounting period; are used on a continuing basis; and are not for resale in the ordinary course of operations.

Intangible Capital Assets	Are identifiable non-monetary assets without physical substance.
Biological assets	A biological asset is defined as a living animal or plant acquired for agricultural and research purposes
Asset Register	A database that records information of assets with their components. Information may include assets location, condition, utilization, user details and the financial information including date and purchase price.
Carrying amount/ value	Carrying amount is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation and any impairment losses thereon.
Cost of an asset	The cost of an asset comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are: the cost of site preparation; initial delivery and handling costs; installation costs; professional fees such as for architects and engineers; and the estimated cost of dismantling the asset and restoring the site, to the extent that it is recognized as a provision.
Current Asset	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
Depreciation	Depreciation is the systematic allocation of the depreciable

	amount of an asset over its useful life.
Heritage asset	Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
Infrastructure Assets	Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics: they are part of a system or network; they are specialised in nature and do not have alternative uses; they are immovable; and they may be subject to constraints on disposal.
Disposal	The process whereby the department ceases control or decommissions an asset.
Disposal Value	The disposal value is the net proceeds received after the asset is disposed of or decommissioned.
Residual Value	The net market value or recoverable value, which is (or expected to be) realized from the disposal of an asset at the end of its life, after deducting the cost (or expected costs) of disposal.
Useful Life	Is the period over which depreciable asset is expected to be used by the department.
Valuation	The process of assigning and recording a monetary value for an asset (initially, the cost at acquisition).

An Official	A person employed by the Eastern Cape Department of Rural Development and Agrarian Reform.
User	An official employed by DRDAR that has been assigned with departmental assets.
High Value Assets	These are critical assets that are tool to ensure that the department meets it core service delivery mandate.

1. INTRODUCTION

The purpose of this policy is to govern the management of assets owned by Eastern Cape Department of Rural Development and Agrarian Reform (ECDRDAR) by ensuring that assets are managed, controlled, safeguarded and used in an efficient and effective manner.

The National Treasury guidelines should be used as a reference point for further clarity or information required that may not be detailed in this policy. This policy is an overview which focuses on the vital information required for accounting of ECDRDAR assets. This policy will further focus on the four key activities of the Asset Life-Cycle namely, Planning, Acquisition, Operation & Maintenance and Disposal.

This methodology ensures that the total cost of the asset is considered before procuring, that the budget can be aligned with the need for funds at the appropriate time and intervals and the entire Asset Management process can be aligned to Supply Chain Management procedures.

2. OBJECTIVE

The objectives of the Asset Management Policy is to regulate and provide guidance to:

- (a) ensure accurate recording of asset information and to produce a comprehensive and complete Asset Register that is compliant to the NT guidelines
- (b) ensure the accurate recording of asset movements;
- (c) ensure the effective and efficient control, optimised utilisation, safeguarding and management of ECDRDAR's assets;
- (d) prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by NT;
- (e) prescribe the administrative guidelines and internal control procedures to be followed by persons in control of assets with regards to management of those assets;
- (f) ensure compliance with all related policies and procedure manuals;
- (g) ensure compliance with all legislation and regulations including the PFMA;
- (h) ensure that assets are not written off and disposed off without proper authorisation;
- (i) ensure that preventative measures are in place to eliminate theft, loss and misuse;
- (j) ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the department; and
- (k) institutionalise a culture of accountability and responsibility over departmental assets.

3. REGULATORY FRAMEWORK, RELATED POLICIES & GUIDELINES

The following policies and governing prescripts have been taken into consideration in the development of this policy. These policies should be in place and implemented to ensure the effective implementation of the AM policy:

- Public Finance Management Act No. 1 of 1999;
- Treasury Regulations, in terms of the PFMA;
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);
- Supply Chain Management Framework (amended by Act 29 of 1999);
- Asset Management Framework & Learner's Guide issued by National Treasury;
- Chapter 9: Accounting for Capital Assets issued by National Treasury;
- DRDAR Supply Chain Management Policy;
- DRDAR Disposal Management Policy and Procedure Manual.

4. PRINCIPLES OF ASSET MANAGEMENT

The principal objective of asset management is to enable ECDRDAR to meet its service delivery objectives with the available resources. It is therefore important for programme managers to understand that asset requirements are a real and significant cost of programme delivery. The application of life-cycle costing techniques and the establishment of appropriate accountability frameworks are integral to achieving this understanding.

4.1 FIVE ASSET MANAGEMENT PRINCIPLES

- (a) Service delivery needs are to guide asset practices and decisions.
- (b) Asset planning and management are to be integrated with strategic business plans, budgetary and reporting processes.
- (c) Asset management decisions are to be based on evaluations of alternatives that take into account the full life cycle costs, benefits and risks of assets.
- (d) Ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented.
- (e) Asset management activities are to be undertaken within an integrated government asset management policy framework.

5. SCOPE OF APPLICABILITY

This policy applies to all employees of ECDRDAR employed in terms of the Public Service Act, 1994 and any person/s employed on a contractual basis. The Asset Management Directorate has the responsibility of managing and controlling departmental assets, however it is the responsibility of all officials to ensure that due care is taken when using departmental assets.

6. IMPLEMENTATION PROCEDURES

6.1 THE ASSET LIFE CYCLE

Assets generally have a life expectancy of longer than twelve (12) months and in their nature require maintenance to remain functional over their expected useful life. This implies that the management of assets has therefore long-term implications from both a planning and financial perspective.

Programme managers should adopt the asset life – cycle approach to managing assets under their control. The asset life-cycle is best depicted as follows:



6.1.1 The Planning Phase

The development of an asset acquisition plan as part of the departmental planning process provides the best means of delivering value added assets. The purpose of planning for the purchase of assets is:

- (a) To prevent fruitless and wasteful expenditure by ensuring the asset acquisitions meet the strategic objectives of the ECDRDAR;
- (b) To ensure all asset requirements are documented and acquisitions prioritised through needs analysis;
- (c) To ensure adequate budget is allocated for the asset requirements; and
- (d) To ensure that departmental assets promote service delivery;
- (e) To ensure surplus or under-performing assets are disposed off; and
- (f) To ensure that any new policy initiatives are catered for.

6.1.1.1 Process Activities

- (a) Programme Managers must ensure that an asset procurement plan is completed prior to the start of each financial year. The procurement plan should define the type, estimated purchase price and expected acquisition date of assets.
- (b) The asset procurement plan should inform the budget which must be allocated accordingly.
- (c) Procurement of assets must be done in accordance with the plan and any deviations should be motivated and appropriately explained by the every section head.
- (d) A needs and resource analysis must be conducted by demand management and in terms of the demand management policy and procedure manuals.

6.1.2 The Acquisitions Phase

The acquisition of assets must be performed in terms of the approved SCM procedures. Only assets that are controlled by ECDRDAR should be recorded in the departmental AR. An entity is deemed to control an asset if it:

- (a) has the capacity to benefit from the asset in pursuing its objectives;
- (b) is able to deny or regulate the access of others to that benefit; and
- (c) has the ability to secure the service potential or future economic benefit generated by the asset.

Programme Managers have a responsibility to review the status of existing assets taking into account the service delivery needs, departmental objectives and budgetary requirements. Programme Managers should ensure that all alternatives including non -asset solutions are considered before a new acquisition is undertaken and these include:

- (a) Contracting out the function to a service provider which will provide the assets itself;
- (b) Redesigning the service to reduce the demand for the assets; and
- (c) Increasing the use of existing assets.

6.1.2.1 Process Activities

Assets that are delivered directly to a place of use; the asset controller together with the end user must be present to acknowledge the delivery of assets. The asset controller and end user should ensure that:

- (a) The condition, quality, specification and quantity of assets is inspected prior to acceptance and it agrees to the delivery note when delivered. If these conditions are not met, the asset will not be accepted.
- (b) The assets are allocated unique identity numbers by means of bar-code, permanent marker or engraving;
- (c) A copy of an invoice and delivery note must be made available to Asset Management on delivery;
- (d) Details of the assets are recorded in the asset register.

- (e) When there are bulk purchases of assets, delivery must take place at a central point, ideally at a store.
- (f) Prior to the purchase, a distribution list of the recipients must be compiled and acknowledged by asset management.
- (g) Assets must not be distributed before they are verified and bar-coded by asset management.
- (h) An acceptance form must be completed per official when assets are being distributed.
- (i) With regards to IT equipment such as laptops, desktops, external hard drives, portable printers, tablet and iPads, the DGITO office must verify the specification as well as ensure functionality of such equipment.
- (j) With regards to receiving of biological assets, Asset Management must be informed by the relevant station when there is an acquisition or birth of livestock as soon as it is delivered or realised.
- (k) Biological assets are recorded in the register with the tag number that includes the letter suffix/prefix with the breed and institution;
- (l) Due to their nature, biological assets are delivered at the relevant station or training institution when acquired.

6.1.2.2 Forms of Acquiring Departmental Assets

The following are the scenarios and assumptions relating various forms of acquiring ECDRADR assets:

ACQUISITION TYPE	ASSUMPTION REGARDING CONTROL
Acquisition with funds from appropriations e.g. Voted Funds	Controlled by the entity/ programme whose funds were spent unless the asset is acquired for another entity/ programme and an agreement between the entities specifies this.
Acquisition with funds from non-appropriation sources (Grants, revenues, proceeds on disposal of assets)	Controlled by the entity/ programme unless the asset is acquired for another entity/ programme and an agreement between the entities specifies this.
Acquisition with government funds	Controlled by the entity/ programme unless the funding agreement specifies otherwise.

Acquisition by finance lease	The programme/ Entity who is a party to the finance lease is deemed to control the asset.
Transfer In	An asset transferred to a programme/ entity is deemed to be controlled by the programme/ entity that receives the asset.
Vesting	An asset that is vested in an entity is deemed to be controlled by that entity.
Acquisition by joint venture	An asset that is purchased or constructed as part of a joint venture is deemed to be under the control of the parties to the joint venture unless an agreement between the parties specifies otherwise.
Donation/gift/bequest assets	Controlled by the entity who receives the donation, gift or bequest.

6.1.3 The Operation and Maintenance Phase

6.1.3.1 Utilisation and Asset Performance

The asset performance should be reviewed at least on an annual basis to ensure effective service delivery through optimum usage of assets. This evaluation of asset performance would include the following:

- (a) Physical condition of the asset;
- (b) Functionality of the assets, if the asset functions effectively;
- (c) Utilization of the assets in line with the objectives it was initially intended for and;
- (d) Financial performance of the asset in order to ascertain whether or not the asset is providing economically viable services.

The above requirement is accomplished through a physical verification exercise referred to in section 11.3 below.

6.1.4. Maintenance and Repairs

The condition and use of assets must be monitored and compared to the departmental performance indicators and programme objectives. It is imperative that the conditions attached to any guarantees or warranties are met.

- (a) Precautions must be taken for the prevention of damage or deterioration in the condition of assets and equipment. Assets must always be kept under the conducive climate conditions to enhance a longer economic life span.
- (b) Programme Managers must ensure that where applicable, licences are renewed timely for assets like television sets, intangible assets (software) etc. to avoid penalties that may be imposed as a result of late or non-payments.
- (c) Maintenance costs incurred must be considered in projecting future related maintenance costs of assets.
- (d) Programme managers must determine which of their assets need to be maintained by prioritising the assets in terms service delivery objectives within their programme.
- (e) Asset holders are responsible for reporting assets requiring maintenance to their asset controllers, who will inform the Asset Management section and DGITO for IT related assets.
- (f) The programme managers should also ensure that programme delivery is not disrupted whilst the major assets are undergoing maintenance.

6.1.5. Disposals

Asset disposal terminates the control of a particular asset, but may generate the need for a replacement to support the continuation of service delivery. Depending on the category of assets to be disposed off, the disposal will be executed from a centralised location and by specified staff equipped to deal with disposal in its different forms. The department must be in possession of all the financial information in order to be able to determine which assets will be disposed.

The asset register is the starting point for this analysis as it records the useful lives of assets and is able to provide an indication of the timing of major replacements in the normal course of business.

The Asset Management office should together with end users identify surplus, obsolete, redundant, unserviceable, under-performing and underutilised assets during the physical verification of assets. A list of these assets should be compiled and recommended for disposal. Assets that have reached their useful lives should be evaluated and considered for disposal, however if the asset is still in a good working condition and can derive economic benefit or service potential it may not be disposed. All asset disposals should be done in terms of the departmental Disposal Management Policy.

6.1.5.1. Useful life

The table below demonstrate the expected useful lives for each category of assets as per the Asset Management Framework. The useful lives of assets should be taken into consideration when the department disposes its assets. A more detailed process of asset disposal is explained in the departmental Asset Disposal Policy and Procedure Manual.

Asset	Useful life
Tractors – acquired and controlled by the Department and used in service Delivery	5-7 years
Fencing erected on land controlled by the Department.	5-10 years
Improvements to land and buildings where the Department has legally enforceable rights in the form of a lease agreement	Depreciate over the period of the lease
Firearms	5-10 years
Motor vehicles	4-7 years
Computer hardware	3-5 years
Computer Software	2- 5 years
Furniture	5- 7 years
Photocopy & fax machines	3-5 years
Cellular phones	0-2 years
Laboratories	25-30 years
Specialised agricultural equipment (engineering equipment, irrigation equipment and surgical equipment)	Irrigation equipment 10-15 years Engineering & surgical equipment 5-7 years

7. LOSSES AND WRITE-OFFS

Should an asset become missing through loss/ theft/ damage; the appointed custodian is to report the loss to the relevant Loss Control Officer within 24 hours of the incident in writing detailing the description of the asset and how the theft/ loss/ damage occurred. The loss report must be accompanied by a copy of an affidavit with a case number obtained from SAPS. The Loss Control Officer must update the loss register accordingly. The case will be investigated by the Loss Control Officer to determine whether any negligence was evident in the loss. The state Attorney may be consulted to determine the interpretation of the liability when required.

Should it be determined that the loss occurred through the custodians' negligence, appropriate action is taken against the relevant custodian. Should it be determined that no negligence was evident, the asset will be written off accordingly. This action is further supplemented by section 12.5.2 of the Treasury Regulations.

Damaged or missing assets may only be written off once all of the following procedures have been completed:

- (a) Accountability for the loss has been established and recoverability procedures are being instituted (where possible);
- (b) The results of the investigation are documented;
- (c) The loss is recorded in the loss control register;
- (d) Accounting Officer's approval has been obtained for the write-off.
- (e) Once approval has been obtained, all lost or written off assets will be removed from asset register and be kept in the loss control register.

When an asset is lost or damaged the above mentioned procedures are to be initiated within a month of the incident. If the lost/ damaged asset is detected by asset management the incident which led to the loss/ damage will be considered as an act of negligence by the responsible official and the relevant procedures for non-compliance will apply.

8. MOVEMENT, TRANSFERS / DONATIONS

8.3.1 Movement of assets

The movement of assets within the department (ECDRDAR) must be accompanied by an asset movement form or an issue voucher in the case of biological assets. The asset movement form must be completed by both the officials the asset is moved from and to; and authorised by an official from asset management. An asset should be moved once the movement form is completed and authorised. The asset user and an official from asset management/ any delegated official in the case of biological assets should be present during the movement of assets. The asset register should be appropriately updated with the movement.

8.3.2 Transfer of assets

Assets transferred in and out of the department should be recorded and approved by the Accounting Officer/ any delegated official of the transferring department. The receiving entity/department should sign the transfer documents as acknowledgement of receipt of the transferred assets. The transferred or donated assets must be removed/flagged from the asset register of the transferring department and recorded on the asset register of the entity receiving the assets.

When Assets are transferred from one Department to another Department, the Bar-code numbers of the assets are not changed.

The transferring Department simply disposes off the asset in their Asset Register. The Asset is disposed of at its cost, R1 or fair value price in the case of biological assets and the details of the receiving department/entity are recorded in the register. The receiving department records the assets received at the purchase price with the same bar-code numbers.

9. RECORDING, VALUATION AND REPORTING

9.1 TREATMENT OF ASSETS

The following table indicates the typical assets found in the department and the financial treatment thereof.

Asset	Treatment
Assets purchased for external stakeholder, farmers and community projects.	<ul style="list-style-type: none"> - No impact in the asset register. - Assets purchased for distribution as part of service delivery mandate should be regarded as inventory - The following SCOA segment for example should be used for relevant assets: - Movable Assets excl biological assets: INVENTORY ASSETS FOR DISTRIBUTION: MACHINERY AND EQUIPMENT - Biological Assets (e.g. Livestock, Plants) INV FARM SUP:LVSTCK&PL/CON

<p>Tractors - acquired for the purpose of handing over to the community.</p>	<ul style="list-style-type: none"> - Expense in the accounting records and treat as inventory <p>OR</p> <ul style="list-style-type: none"> - Recorded in the AR while it is still under the control of the department. - Completion of a transfer/ handing over certificate and acknowledgement by receiver.
<p>Tractors – acquired and controlled by the Department and used in service Delivery.</p>	<ul style="list-style-type: none"> - Treat as departmental assets and capitalise in the accounting records.
<p>Assets that are fixed to buildings not owned by the State e.g. (air-cons, built-ins cardboards, etc.</p>	<ul style="list-style-type: none"> - Expense in the accounting records, no impact in the asset register as they increase the value of the building.
<p>Banners/ Flags</p>	<ul style="list-style-type: none"> - These item should be treated as CONS: TENT, FLAG & ACCESSORIES.
<p>Linen, Crockery & Cutlery</p>	<ul style="list-style-type: none"> - These item should be treated as CONS HOUS SUP: LIN, CRCKRY&CUTLRY as per the SCOA.
<p>Fencing erected on land controlled by the community.</p>	<ul style="list-style-type: none"> - Treat as inventory until erected on community land.
<p>Land and Buildings or improvements thereof (Immovable Property)</p>	<ul style="list-style-type: none"> - The erection of buildings or any improvement to land is expensed in the financial year of acquisition. - All buildings and other fixed structures that are

	erected on state land, are transferred to the Department of Roads and Public Works on completion.
Delivery Charges	- Add to the cost of the assets delivered in the ratio of each individual asset to the total. Pro-rata the amount over the costs of assets purchased.
Firearms	- Treat as an asset and capitalise in the accounting records.
Motor vehicles acquired by the Department	- Treat as an asset and capitalise in the accounting records.
Motor vehicles leased from Department of Transport (i.e. GFMS)	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records. - Record in the AR at the inception of the lease. - The expiry of the lease agreement will automatically inflict the disposal of the asset by derecognizing it in the AR.
Computer hardware	- Treat as an asset and record in the asset register.
Computer Software	- Treat as an intangible asset and capitalise in the accounting records.
Upgrade of Computer Software	- Treat as an asset and capitalise in the accounting records. The old version of the software will be disposed off if deemed necessary.
Payments for software licences	- Expense in the accounting records. Do not capitalise

or renewal fees	<p>to the software (Do not add to cost of software).</p> <ul style="list-style-type: none"> - If the licence fee payment is for more than a year, the payment must be capitalised and included in the AR.
Furniture	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records. Tables, chairs, credenzas, and all office furniture are stand-alone/ individual items and may not necessarily be treated as sets of furniture. - Pieces of furniture that fit together to form one big unit, e.g. boardroom tables are treated as one item.
Photocopy, Fax Machines Cellular phones, Tablets & iPads Outright Purchase	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records - Record in the AR.
Photocopy, Fax Machines Cellular phones, Tablets & iPads Leased	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records. - Record in the AR at the inception of the lease. - The expiry of the lease agreement will automatically inflict the disposal of the asset by derecognizing it in the AR.
Shredders/Scanners/Projectors	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records at purchase price.
Advertising/ Bill boards	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records at purchase price.

Televisions	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records at purchase price.
Biological Assets acquired in a particular financial year	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records at cost/purchase price. - The R5,000 capitalisation thresh hold applies to determine classification of the asset - Recognition occurs on delivery.
Biological Assets - Feathered animals & Fish	<ul style="list-style-type: none"> - Expense in the accounting records - Do not record in the asset register - Treat as Inventory: Furthered Animals.
Specialised agricultural equipment (engineering equipment, irrigation equipment and surgical equipment)	<ul style="list-style-type: none"> - Treat as an asset and capitalise in the accounting records at purchase price. - Add costs associated with getting the equipment in working condition.
Assets that are replaced under warranty/insurance	<ul style="list-style-type: none"> - The old replaced asset will be treated as a disposal and the new asset will treated as a non-cash addition. - The disposed asset will not go through the disposal committee and will not be recorded on the VA27. The old asset will be marked as replaced on the asset register.

	<ul style="list-style-type: none"> - The documents to support warranty replacement is the old invoice and the new invoice of the new replaced asset and any other correspondence from the relevant service provider that confirm that they are replacing the asset. - The documents to support warranty/insurance replacements are a case number from SAPS and all correspondence from the insurer.
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9.2 RECORDING: ASSET REGISTER

The asset register of the department resides with the asset management directorate. The asset register format is designed in such a way that it complies fully with the National Treasury Guidelines. It is critical that the correct classification and recording of asset details are captured correctly and accurately in the asset register. It is also imperative that the asset register is updated regularly and reconciled to the general ledger with new information.

9.3 VALUATION OF ASSETS

9.3.1 Valuation at cost

An asset is recorded on receipt of the item at cost all inclusive (e.g. inclusive of delivery costs, assembling costs, VAT, import duties, etc).

9.3.2 R1 valued assets

Where the cost cannot be determined accurately, the capital asset should be stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1. All assets acquired prior the year 2002 are recorded at R1 due to unavailability of financial information relating to the assets.

9.3.3 Immovable Assets and Fixed Structures

- Projects (of construction/development) running over more than one financial year relating to assets, are only capitalised on completion of the project and at the total cost incurred over the duration of the project. Accounting for an immovable asset where contractual obligations were completed before year end and subject to transfer to another department after year end. Transfer of assets should take place in terms of Section 42 of the PFMA.

- In instances where the contractual obligations with regards to an immovable asset construction were fulfilled before year end, but the immovable asset has not yet been transferred to the custodian department as required (or where no agreement has been reached between the custodian and the budget holder), the transferor department will report on the immovable asset as per its asset register but must also include a note disclosing the details of the immovable asset to be transferred subsequent to year end.

9.3.4 Biological Assets and Agricultural Produce

The active market transaction price is used by determining the most recent market transaction price as follows:

- a) When determining the fair value of biological assets, the existing and new born biological assets are fair valued using the most recent weight of the asset and the tariff policy (schedule of revenue) approved by the Eastern Cape Provincial Treasury. New acquisitions are carried at cost in the year of acquisition and fair valued in the following year.
- b) The market price adjustment difference is reflected as a non-cash adjustment in the reporting financial year.

10. ACCOUNTABILITY

10.1 RECEIVING AND BARCODING OF ASSETS

- (a) The Asset Management Section is responsible for barcoding of all assets in the department.
- (b) Newly acquired assets must be barcoded on the date of delivery or as soon as possible for those assets delivered directly to the district satellite offices.
- (c) All barcoded assets must be recorded in the asset register.
- (d) All asset items must be barcoded before they are issued to the relevant asset user/ programme.
- (e) Whenever an official/ asset user becomes aware of an asset item that is not bar-coded due to whatever reason, Asset Management Section must be informed immediately.

10.2 SAFEGUARDING OF ASSETS

- (a) All asset holders must ensure that the assets under their control are safeguarded and protected.
- (b) All assets must be barcoded, properly marked with the state ownership mark and recorded according to the required standards to denote government ownership.
- (c) Buildings and premises that contain the department's assets must be effectively lockable and secured.
- (d) A person in charge of valuable assets must take steps to ensure safe custody of assets and shall take precautions against loss/ theft/ damage.
- (e) 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.
- (f) Assets must therefore be adequately protected against any risk to minimise financial loss to the Department.
- (g) Every asset of the department must be allocated to a responsible official who will sign a door report as acknowledgement of responsibility. The most relevant and closest official will be allocated the asset or the immediate supervisor or section head.

10.3 PHYSICAL ASSET VERIFICATION / COUNT

The section heads and the asset controllers of each section are responsible for ensuring that all assets under their control are counted and their physical condition verified on a quarterly basis. The asset control sheets must be used as a basis for verification and any discrepancies must be reported to asset management.

The Asset Management directorate will conduct independent counts of all assets at least once per financial year. The Asset management staff should ensure that during the asset verification, effective management of the assets is considered and a report on management, usage and losses of assets in the various districts and head office is compiled.

Asset control sheets will be printed which will include all assets under the responsibility of the relevant official. The relevant official must sign the asset control sheet during the verification process. Biological assets are counted annually, and monthly spot counts are executed in each institution to timeously identify any movements e.g. births, losses, deaths etc.

High Valued assets e.g. Farm Agricultural Equipment, Computer Equipment (i.e. Network Infrastructure & Transport assets).

10.4 USE OF ASSETS

Assets are for the department's use only and private use must not be allowed without authorisation from Regional Directors or Director: Asset Management. Private use must be recorded along with reasons why there is a need and authorisation.

All assets must be used for the purpose that they were purchased for and to their maximum capacity.

10.5 RISK MANAGEMENT

Asset Management Section together with asset users must identify any risk that might be involved in the use or management of assets. It is the responsibility of all responsible Programme Managers in conjunction with the Asset Management Section to manage all identified risks in respect of the departmental assets. The environment in which assets are utilized should be secured in order to mitigate the risks to an acceptable level.

Officials must ensure that only authorized departmental officials are allowed to use or operate departmental assets. Officials are required to sign and take responsibility for asset items issued to them.

10.6 INSURING ASSETS

As per Treasury Regulations, Part 5, paragraph 12.1.2 states that the Accounting Officer of an institution may (if deemed economically and based on a risk assessment) insure motor vehicles, including hired vehicles, or such other moveable assets determined by the relevant treasury, but the insurance premium cost may not exceed R 250,000 a year on that vote, unless otherwise approved by the relevant treasury.

Holders of the ECDRDAR assets may at their own discretion, insure assets of high risk that are under their control and not already insured by the department. Payment of the premiums and excess will be the responsibility of the asset holder. The asset holder of the insured asset will still be eligible to the loss control procedures should the insured asset be lost. If a state asset is replaced by insurance it will remain the property of the state. i.e. ownership does not transfer to the asset holder.

Supply Chain Management, together with the end users of assets may, at their own discretion and based on a detailed risk assessment choose to insure assets which they deem require insurance. Insured assets must be marked accordingly on the asset register.

11. DOCUMENT / RECORDS MANAGEMENT

Through the execution of the Asset Register, a number of standard documents are used by the department. These include the Fixed Asset Forms for Additions, Transfers and Disposals. These documents contain the minimum information required to control all aspects of the assets within the department.

The following should be noted when using any of the Asset Management Forms:

- (a) All documents used for transactions affecting the asset register must be safeguarded and filed for audit purposes, i.e. movable asset forms for new users, movements, additions, disposals, etc.
- (b) All documents can be requested from the asset management unit. The documents will be used to update the asset register and to perform asset reconciliation and for audit trail purposes.
- (c) Each financial year's asset forms may be archived for one financial year after the close of the previous financial year by asset management.
- (d) Working papers for asset verification must be properly filed for audit purposes. This information will serve as audit trail that substantiates any adjustments in the departmental asset register.

12. ROLES AND RESPONSIBILITIES

12.1 ROLE OF THE ACCOUNTING OFFICER

Section 38(1) (d) of the PFMA states that The Accounting Officer for a department, trading entity or constitutional institution-

- must ensure that the department, trading entity or constitutional institution has and maintains -
(i) effective, efficient and transparent systems of financial and risk management and internal control;
- is responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities of the department, trading entity or constitutional institution.

12.2 THE ROLE OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer of the Department must:

- ensure that departmental assets have been accounted in the Annual Financial Statements of the Department in accordance with recognised accounting practices;
- ensure that the general ledger (BAS) is reconciled to the asset register for additional assets procured in that particular reporting financial year;
- review and approves the reconciliation between the general ledger and the asset register;
- provide the Auditor – General with financial records relating to assets.

12.4 THE ROLE OF ASSET MANAGEMENT UNIT

- The Asset Register is maintained, verified and reconciled regularly.
- The Asset Register is reconciled monthly with the general ledger and LOGIS.
- A system of identifying assets is established i.e. barcoding of assets.
- Acquired assets are clearly marked / barcoded on the date of delivery.

- Assets are physically verified at least annually and reconciled with the Asset Register.
- The asset verification report must reflect –
 - (a) A complete list of all assets found during the verification;
 - (b) Any discrepancies between the items found during verification and the recorded assets in the Asset Register;
 - (c) Reasons for variances.
- Provide Auditor-General or his personnel, on request, with the financial records relating to assets belonging to the department as recorded in the Asset Register.

12.5 ROLE OF THE DEPARTMENTAL OFFICIALS OR ASSET USERS

Section 45 (b) and (c) states that an official in the department “is responsible for the effective, efficient, economical and transparent use of financial and other resources within that official’s area of responsibility”.

It further states that each official must take effective and appropriate steps to prevent within that officials area of responsibility any unauthorized expenditure, irregular expenditure, fruitless and wasteful expenditure and any under collection of revenues due;

Also, section 45 (e) states that an official in a department “is responsible for the management, including the safeguarding of the assets and the management of the liabilities within that official’s area of responsibility”.

12.3 ROLE OF PROGRAMME MANAGERS

All Programme Managers shall ensure that:

- officials in their Programmes adhere to the approved Asset Management Policy and Procedures.
- their inventory lists reflect assets under the Programme.
- inventory/ asset holders must report any movement of assets in their areas of operation to Asset Management Unit.
- all redundant or obsolete, broken assets and losses are reported in writing to the Asset Management Unit within 24 hours.
- assets and/or inventory items of the department are not used for private gain.
- the Programme Managers are expected in terms of Treasury Regulation 5.2.3 (e) to contribute in the review of the Asset Management Strategy, in relation to proposed acquisition of movable assets.
- it is the responsibility of every departmental official in terms of Section 45 PFMA to ensure that assets allocated to custodians are responsibly used and safeguarded against losses.

13. MONITORING AND EVALUATION

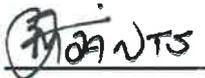
All departmental officials will be primarily responsible for monitoring and evaluating the implementation of this policy, at all levels through its Asset Management Directorate. A reliable and accurate asset register and a clean audit on asset management related matters discussed here are indicators to measure success.

14. POLICY REVIEW

This policy shall be assessed in three years from its effective date to determine its relevance to the Departmental environment. It may be assessed before that time as necessary to reflect substantial organisational changes or any change required by legislation.

15. RECOMMENDATIONS AND APPROVAL

The Loss Control Policy is recommended and approved by the Management of the department.



MRS S MZANTSI

ACFO: DRDAR

DATE: 28/03/2024



MR B DAYIMANI

AHOD: DRDAR

DATE: 28/03/2024