Province of the
EASTERN CAPE
SOCIAL DEVELOPMENT

ASSET MANAGEMENT POLICY

POLICY REGISTRATION NO: 2015 - 02

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DEFINITION AND TERMS

i. Accounting Policies	The specific principles, bases, conventions, rules and practices adopted by an entity in preparing financial statements.
ii. Asset	Is a resource controlled by the entity (Department) as a result of past events and from which future economic benefits or service potential are expected to flow to the entity (Department).
iii. Asset Acquisition	The process by which an entity assumes control of an asset.
iv. Asset Life Cycle	The cycle covering all the phases in the life of an asset. It starts when a need for an asset is first identified, through the acquisition thereof, the subsequent operation, maintenance and upgrading (if needed) as well as its eventual disposal.
v. 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 cost over their entire life.
vi. 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. It may also include information on current replacement cost.
vii. 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.
viii. Asset useful life	Useful life is the expected period of time over which an asset is to be used by the entity.
ix. Asset Utilization	A measure of how effectively an asset is being used to meet the entity's service delivery objectively.
x. Capitalisation	The process whereby expenditure is changed to an asset account rather than to expense account.
xi. Carrying Amount	It is the difference between the cost (or valuation) and the accumulated impairment losses.
xii. 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.

xiii. Depreciation	A systematic allocation of the cost an asset or other amount substituted for its cost over its estimated useful life. Depreciation recognises the gradual exhaustion of the asset's service potential.
xiv. Direct Costs	Costs that can be specifically assigned and directly attributed to an asset.
xv. Economy	Refers to the acquisition of the appropriate quality and quality of financial, human and physical resourced at the appropriate time and place, at the lowest possible cost.
xvi. Enhancement/ Re-habitation	The work needed to increase an asset's service potential, which is regarded as capital expenditure. Enhancement improves an asset's functionality in terms of extending its useful life or capacity or speed of delivery or the quality of the output.
xvii. 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 as asset's useful life (current expenditure)
xviii. Needs Analysis	A thorough analysis to compare community demands, expectations and needs with current and possible sources of service supply.
xix. Risk Management	A management technique used to identify and analyse potential risks, and to implement appropriate responses.
xx. Useful Life	The time period over which it is expected that can asset will be used by the department before it becomes uneconomical to do so.
xxi. Intangible Assets	An Intangible asset meets the definition of an asset but lacks substance.
xxii. Non-Governmental Organisation(NGO)	A citizen based association that operates independently of government, usually to deliver resources or serve some social or political purpose.

xxiii. Non-Profit Organisation(NPO)	Associations, charities, cooperatives, and other voluntary organisations formed to further cultural, educational, religious, professional, or public service objectives. Most Non-Governmental Organisation (NGO's) are NPO's. Approved, incorporated, or registered NPO's are usually granted tax exemptions, and contributions to them are often tax deductible.
ACRONYMS	
xxiv. AR	An Asset Register

LEGISLATIVE FRAMEWORK

i. Public Finance Management Act, No 1 of 1999 as Amended section 38(1)d and 45e

ii. Public Finance Management Act, 1999, Treasury Regulations section 10.1.1

iii. Supply Chain Management – A Guide for Accounting officers / Authorities

iv. GRAP 17, Property, plant and equipment

v. GRAP 102, Intangible assets

vi. Non-Profit Organisation Act 71,1997 Section 17

1. PREAMBLE

1.1 The development and implementation of an Asset Management Policy is an essential part of asset management reform with the Department of Social Development. The Asset Management Policy is in line with Public Finance Management Act (PFMA), Treasury Regulations, National Treasury Guidelines, Generally Recognised Accounting Practices (GRAP), Asset Management Framework and Learner Guide and Accounting Standards and to promote good financial management practices and focuses on the following key activities of the asset life-cycle: planning; acquisition; operation and maintenance; and disposal.

1.2 In an effort to address the operational challenges related to the compilation, management, maintenance of asset register for moveable assets and in eliminating theft, losses, wastage, and misuse, this policy seeks to define and provide a framework, guidelines for the management of assets within the department.

1.3 Asset Management policy outlines all the various actions that the Department undertakes to ensure that its assets are efficiently planned, delivered, managed and reviewed in a cost effective, sustainable manner. The department possesses assets to enable the delivery of services to the community, which include office furniture, domestic furniture software, computer equipment, audio-visual equipment, kitchen appliance, domestic equipment and office equipment. Given the materiality of the Department's assets, and the decentralised locations of these assets, coupled with the high risk of theft and limited funds for replacement, it is imperative that assets are well managed and controlled. It shall enable the department to meet its service delivery objectives economically, effectively and efficiently by achieving the best match of assets with service delivery objectives.

1.4 Assets management in institutions, Non- Profit and Non-governmental Organisations funded by the department shall be governed in terms of the Non-Profit Organisation Act 71 of 1997.

2. PURPOSE

To prescribe the accounting and administrative policies and procedures relating to property, plant & equipment (movable assets) of the Department of Social Development.

3. OBJECTIVES

The objectives of this policy are to:

a) To safeguard the assets of the Department and to ensure the effective use of the existing resources.

b) To support the strategic Objectives of the Department

c) To emphasize a culture of accountability over Departmental assets.

d) To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation.

e) To provide a formal set of procedures that can be implemented to ensure asset management is in compliance with relevant prescripts.

f) To ensure and facilitate efficient management of Departmental assets.

g) To establish controls that must ensure proper management of risks associated with ownership and safeguarding of assets.

h) To ensure compliance with Departmental accounting policy and the PFMA.

4. SCOPE OF APPLICABILITY

This policy is applicable to all departmental officials of the Eastern Cape Department of Social Development. The assets belonging to the NGO's/NPO's shall be dealt with in terms of Act no. 71 of 1997.

5. PRINCIPLES AND VALUES

The principles and values that this policy derives is:

a) Respect for a person's knowledge and resources, as well as their potential to develop and Change for the benefit of the Department.

b) Professional integrity and ethical values of management and staff, including supportive attitude at all times throughout the organisation.

c) Acceptance of responsibility and accountability as an approved user of Departmental assets.

d) High standards of service delivery by the use of Departmental assets by ensuring efficient and effective use of all assets.

6. POLICY STATEMENT

This policy shall be fundamental for effective management of Departmental assets and as such the Department provides tools of trade or working tools in the form of office furniture, office equipment and computer equipment with software to enable employees to perform functions in their designated roles to ensure that resources are properly allocated.

6.1 Asset Register

a) An Asset Register (AR) shall be a database consisting of all assets of the Department and shall provide details of the figures disclosed in the annual financial statements.

b) It shall store information on each asset owned and controlled by the Department and must be recorded in the Asset Register at cost, regardless of the funding source.

c) All assets disposed shall be removed from the Asset Register.

d) An adequate asset register is integral to effective asset management. It is the basis of an asset management information system and shall contain relevant data beyond that required for financial reporting.

6.2 Format of the Asset Register

a) The Asset Register shall be maintained in the format determined by the Accounting Officer, which shall comply with the requirements of Generally Recognized Accounting Practice (GRAP) and Asset Management Framework as determined by National Treasury.

b) Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the asset register shall reflect the information on the following:

i. the date on which the asset was acquired or brought into use
ii. a brief but meaningful description of each asset
iii. Supplier from which the asset has been acquired
iv. the location of the asset

v. the directorates within which the assets will be used

vi. Unique asset number or bar code of the asset.

vii. where applicable, the serial number of the asset

viii. Condition of an asset

ix. the original cost, or the revalue amount or a reasonable value if no costs are available

x. The payment reference

xi. Order Number

xii. Invoice number

xiii. Model

xiv. User

xv. Room number

c) The Department shall also maintain an intangible asset register.

6.3 Transferred Assets

a) An asset that has been transferred from another department shall be deemed to be controlled by the department to which it has been transferred and should be recorded at cost if documentation is available.

b) Where documentation is not available the asset must be transferred at R1.

6.4 Donated Assets

a) An asset that has been donated, given or bequeathed to the department shall be deemed to be controlled by that department unless any restrictions exist that prevents the department having control of it and should be recorded at cost.

b) The head of department must approve both donations in or out of the department.

6.5 Maintenance of the Asset Register

a) All newly acquired assets and related information shall be recorded in the Additions Asset Register, regardless of the funding sources.

b) An asset register shall be updated with the disposed, transferred assets.

c) The asset register shall be updated immediately with variances arising from verification.

d) The maintenance of the asset register is performed against the physical verification.

6.6 Reconciliation

a) The reconciliation of Asset Register shall be done on a monthly basis against the General Ledger

b) An official responsible for the update and maintenance of the asset register shall prepare the reconciliation and must sign it for control purposes.

c) A senior official shall, review, sign and date the reconciliation as proof of reviewal.

d) All un-reconciling items shall be followed up and cleared immediately

6.7 Classification of Assets

a) Assets must be recorded in the asset register and classified according to guideline provided by National Treasury Framework.

b) Assets vary considerably in their size and nature, and it shall be useful to classify them into groupings for management control and financial treatment. Furthermore classification of asset related expenditure shall be consistent with Standard Charts of Accounts (SCOA).

6.8 Capitalisation of Asset

a) All assets with a value of less than R5 000 shall be classified as minor assets.

b) All assets with a value of R5 000 or more shall be purchased against the capital budget and be recorded in the major asset register.

c) Only expenses incurred in the enhancement of an asset or in the material extension of the useful operating life of an asset shall be capitalized.

d) Expenses incurred in the maintenance or reinstatement of an asset shall be considered as operating expense incurred in ensuring that the useful operating life of the asset

concerned is attained, and shall not be capitalized, irrespective of the quantum of the expenses concerned.

e) Expenses which are reasonably ancillary to the bringing into operation of an asset may be capitalized as part of such asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, and installation, assembly and communication costs.

6.9 ASSET LIFE CYCLE

6.9.1 Planning

a) The department shall ensure that assets are procured according to the strategic objectives of the department

b) Planning shall assist asset management in the following;

i. Setting level for service delivery

ii. Assessing the functional adequacy of the existing assets

iii. Identifying surplus or underperforming assets

iv. Assessing assets required for new policy initiatives

v. Ensuring assets are maintained and disposed in an optimum manner

vi. Evaluating asset performance with a goal of continuous improvement

6.9.2 Acquisition of Assets

a) The acquisition must adhere to the Supply Chain Management Manual and delegation of authority of the department.

b) The descriptions utilised for the asset that is being acquired shall be consistent with the all descriptions used by the department to achieve uniformity.

c) The receiving official (Asset Management Section) shall verify quality, quantity and price of the asset before signing delivery note.

d) In the case of I.T related equipment an official from ICT engineering and Asset Management shall verify quality, quantity and price of the asset before signing delivery note.

e) No programme shall be allowed to receive or make arrangements to receive any asset item without the Asset Management Section being informed and involved in the process.

f) In the event where an item has to be delivered directly to the programme/ directorate/unit for, the Asset Management Section must be informed about the order placed with the supplier to enable Asset Management to make arrangements with the relevant official for receiving and signing of delivery note.

g) The assets shall be issued to a delegated responsible official within the programme/ directorate/unit who must take direct responsibility for the asset item(s) in terms of control and safekeeping purposes.

h) In cases of personal assets, the asset controllers must be notified and a record of such be kept by each programme/ directorate/unit.

6.9.3 Bar-Coding of Assets

a) The Asset Management Section shall be responsible for bar-coding of all assets in the department.

b) Newly acquired assets must be barcoded on the date of delivery or within two working days of receipt of the asset. At least within five working days for assets delivered directly to the district offices.

c) All bar-coded assets must be recorded in the asset register.

d) All assets items must be bar-coded before they are issued to the relevant programme/ directorate/unit.

e) Whenever a programme/ directorate/unit find an asset item that is not bar-coded due to whatever reason, the programme/ directorate/unit shall immediately inform the Asset Management Section.

f) Assets that must be bar-coded are clearly indicated on the attached annexure H.

6.9.4 Maintenance and Repairs of Assets

a) The end user shall forward their requisition for assets furniture that need to be maintained to the asset management section.

b) In case of ICT equipment, the ICT section shall be responsible for the maintenance. The ICT section shall fill in the asset movement form together with the end user and must be approved by the Asset Manager before sending any items for repairs. When the items are back from repairs, ICT section shall inform the asset manager so as to update the asset register.

6.9.5 Safekeeping of Assets

a) The Accounting Officer shall ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage, and misuse. To be managed effectively, assets shall be protected against theft or fraudulent use and other hazards such as fire. Assets shall therefore be adequately protected to minimize financial loss to the department.

b) Responsibility Managers to be appointed as Asset Controller for and shall be directly responsible for the physical safekeeping of any asset controlled or used by the directorate/unit in question.

c) In exercising this responsibility, every Responsibility Managers shall adhere to the asset management policy and procedures with regard to the control or safekeeping of the department's assets.

d) 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.

6.9.6 Verification of Assets

a) All assets must be physically verified and confirmed bi-annually.

b) Any variances identified after the physical verification of Assets must be followed up and communicated to the Senior Manager Logistics Management.

c) The Senior Manager Logistics Management must approve all corrective measures that shall address the identified variances.

d) The Senior Manager Logistics Management must submit report of reported variances to the Chief Financial Officer after each physical verification and reconciliation has been completed.

6.9.7 Procedures for physical Asset Verification

a) The designated official must first obtain an approved asset register including additions.

b) The asset management unit shall appoint officials that will be involved in verification process.

c) The Asset Inventory List to be reconciled to the physical asset/s for each employee of the Department.

d) Items verified shall be marked by a sticker in order to prevent duplication during the physical verification process.

e) The designated official must validate physical assets against the Asset Inventory List.

f) The Asset Inventory List to be reconciled to the asset register and additions.

g) The designated official shall ensure that all assets are marked with Bar code as appearing in an approved asset register

h) The designated official shall check description, asset number, location, office number, date of acquisition, receipt if sold, condition for verification purposes.

i) The designated official must ensure that asset inventory list reconciles with the physical checking and has been signed by the responsible official.

j) Asset Management section must be informed in respect of equipment as well as any item sent for repair, and that the necessary asset movement form is completed, signed and is available.

k) The designated official shall ensure that assets are utilised for the purpose as intended (Value for money)

l) The designated official shall check for unserviceable, repairable, obsolete or redundant items for the purposes of disposal.

6.9.8 Movement of Assets

a) Officials shall not be allowed to move or relocate assets of the department without the proper approval by Responsibility Manager and involvement of the Asset Management Section.

b) Whenever a Responsibility Manager requires an asset to be moved or relocated, the Asset Management Section shall be contacted in writing in advance to make the necessary arrangements to move or relocate the items.

c) The details of where the asset is to be moved shall be indicated in the request for the movement and shall be signed by the Programme Manager or immediate supervisor.

d) In cases of ICT equipment due for repairs, an asset movement form shall be filled by ICT section, the end user and approved by the asset manager.

e) All asset movement forms are kept by asset management unit.

6.9.9 Depreciation

The department shall not depreciate its assets as it is operating on the modified cash basis of accounting.

6.10 ASSET MANAGEMENT FOR FUNDED INSTITUTIONS

a) The assets belonging to the NGO's/NPO's shall be dealt with in terms of NPO Act no. 71 of 1997.

b) Asset management Unit together with Programme Manager shall give guidelines on how to manage and maintain the asset register within the funded organisations.

6.11 LOSS/DAMAGE OF ASSETS

Damaged and the Loss assets shall be deal with in terms of the Loss Control policy of the department.

7. APPROVING AUTHORITY

Head of Department will recommend this policy to MEC for approval and the Executive Authority shall be responsible for the approval of this policy.

8. ADMINISTRATION OF THE POLICY

The Accounting Officer shall delegate all responsibility managers of the Department to enforce the implementation of this policy

9. ACCOUNTABILITIES AND RESPONSIBILITY

9.1. Accounting Officer

a) Section 38(1) (d) of the PFMA (No.1 of 1999 as amended by Act 29 of 1999) places the responsibility of asset management with the Accounting Officer of 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 thoroughly applied and adhered to.

c) The Accounting Officer in terms of the PFMA and Treasury Regulations shall be 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 of procuring all movable assets.

   iv. Assigning / delegating Inventory Controllers in writing.

9.2. Chief Financial Officer:

Shall ensure that a complete, accurate and up dated asset register is maintained by the Department.

9.3 Asset Management Unit shall ensure the following:

a) Assets are physical verified at least twice per annum (i.e. half yearly and annually).

b) Asset physical verification and reconciliation report is produced at the end of asset verification.

c) Produce a report for write off unverified assets with support documentation.

d) Additions is reconciled monthly to the general ledger (BAS) and the reconciliation is approved by the Senior Manager – Logistics Management.

e) Personal asset list are kept separately from an approved asset register.

9.4. All Responsibility Managers shall ensure the following:

a) All employees shall comply with Asset Management Policy.

b) Responsibility Managers shall be Asset Inventory Controllers and be appointed annually by the Accounting Officer

c) The Asset Inventory Controller and User of an asset/s shall be responsible in ensuring that the assets/s allocated to him/her is kept in good condition.

d) Asset inventory lists are in place, updated and maintained

e) Departmental Assets allocated as working tools belong to the department are not used for private gain.

f) The asset User shall remain responsible for asset/s allocated to him or her until formerly removed from him/her possession and the asset movement form completed and signed.

g) Notify Asset Management Unit on resignation, transfer and retirement of staff under their supervision within 2(two) working days. The Responsibility Manager is accountable until the assets are returned to the Asset Management Unit via the asset movement form completed and signed.

h) In the case of any change of an asset in his/her possession, the User shall be responsible to advise the Asset Management Unit for adjustment of his or her asset inventory list.

i) Damages/ Losses occurred to an asset allocated shall be reported to the Senior Manager: Logistics Management Unit for processes to be followed.

j) The User shall be responsible for reporting of lost assets to the nearest Police Station

within 24 hours and a statement shall be made by him/her to the Senior Manager: Logistics Management Unit.

k) Any item regarded obsolete or redundant shall be dealt with by Asset Management Unit who shall flag such items on the asset register and referred for disposal.

l) All employees with personal assets should report to their Responsible Managers. These assets must be recorded separately and must not appear on the Asset Inventory Lists.

m) A separate list of these assets shall be kept and forwarded to Asset Management Unit.

n) Responsible for shared assets in their respective sections.

9.5. District Managers

a) Shall appoint Asset Inventory Controllers at District, Area and Service Office level.

b) The Area and Service Office Managers are to be asset Inventory Controllers.

c) The Assistant Managers of Supply Chain Management at the District Office shall be the Asset Inventory Controllers for the District Office.

d) The District Managers have the same status as head office directorates or responsibility managers.

e) The District Managers have the same responsibility of ensuring that state assets at district level are properly maintained / managed.

f) The District Managers shall also account for the non-submission of the asset management reports and may approve the purchasing of assets according to their delegations.

g) The District Manager shall sign off the asset register after each physical verification and reconciliation. A report of all variances together with the asset register is to be submitted to the Senior Manager: Logistics Management Unit after each physical verification and reconciliation.

9.6. On termination of Services Human Resources shall ensure that

a) The Debt Route Form must be counter signed by the Supply Chain Management Unit (Asset Management Unit) before processing of the termination of service benefits.

b) Supply Chain Management Unit (Asset Management) must be informed within 2 working days on terminations, suspensions in writing before the officials leave the department in order to facilitate the recovery of assets.

c) The terminated or suspended official must return all movable assets that were allocated to him/her to Supply Chain Management Unit (Asset Management Unit) before leaving the department.

10. EFFECTIVE DATE OF THE POLICY

This policy will be effective from the date of its approval.

11. PROCEDURE FOR IMPLEMENTATION

The asset management policy shall be implemented as follows:

a) Planning process, each district shall send their procurement plans for acquisitions of capital assets at the 15th of August (first budget submission) for each financial year.

b) Budget process, procurement of capital assets shall be in accordance with the budget allocation for that financial year.

c) Acquisition of assets, both major and minor shall be in accordance supply chain procedures. All assets acquired shall go through asset management section for recommendation purposes.

d) Reporting, all Districts shall report monthly to head Office on additions. Asset management Head Office section report on a quarterly basis to financial management section

12. MONITORING MECHANISMS

a) Undertake periodic (annually) monitoring to identify impact of reviewed policy

b) Evaluate monitoring reports and findings

c) Feed findings into future policy updates

13. REVIEW OF THE POLICY

This policy will be reviewed every three (3) year and whenever necessary to maintain relevance.

14. POLICY RECOMMENDATION AND APPROVAL

RECOMMENDED/ ~~NOT RECOMMENDED~~

2014/05/20

HEAD OF DEPARTMENT: DEPT. OF SOCIAL DEVELOPMENT

DATE

APPROVED/ NOT APPROVED

14/01/2015

MEMBER OF THE EXECUTIVE COUNCIL
DEPT. OF SOCIAL DEVELOPMENT

DATE

15. APPENDICES

Annexure A:	Asset Movement Form
Annexure B:	Assets to be Barcoded and included in the asset register
Annexure C:	Asset that cannot be Barcoded and included in the asset register

ANNEXURE A: Asset Movement form

Purpose of Transfer:	

Current Location / User Information	
Directorate	
Department	
Division	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name	
Telephone # / Extension	( )
Programme Manager: Full Name	
Telephone # / Extension	( )

New Location / User Information	
Directorate	
Department	
Division	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name	
Telephone # / Extension	( )
Programme Manager: Full Name	
Telephone # / Extension	( )

No	**Asset Bar Code #**	**Fixed Asset Description (as per Asset Inventory Sheet)**
1.		
2.		
3.		
4.		
5.		

Transfer of Fixed Assets Sign Off			
Designation	Name	Signature	Date
Current User			
Programme Manager / Supervisor (Current User)			
New Asset User (Receiving)			
Manager / Supervisor (Receiving User)			
Asset Management			

ANNEXURE B: Assets to be barcoded and included in the asset register.

1. Desks
2. Tables
3. Chairs
4. Cupboards
5. Credenzas
6. Fridges
7. Trolleys
8. Shelving
9. Cabinets
10. Monitors
11. Central Processing Units (CPU's)
12. Laptops
13. Docking Stations
14. Dictaphones
15. Whiteboards
16. Flipchart Stands
17. DVD's Players
18. Microwaves
19. Printers
20. Video Sets
21. Shredders
22. Television sets
23. Data Projectors
24. Satellite decoders
25. Scanners
26. Laptop Trolley Bags
27. URNS

ANNEXURE C: Assets that cannot be barcoded and included in the asset register.

These items do not meet minimum requirement to be recorded in the Asset Register due to their nature, lifespan, and department cannot obtain the economic benefit out of them.

1. Plates
2. Bowls
3. Tea Cups
4. Saucers
5. Mugs
6. Milk Jar
7. Platters
8. Salvers
9. Trays
10. Electric Kettles
11. Calculators
12. Keyboard
13. Mouse
14. USB
15. Computer Speakers
16. Card Holders
17. Laptop lockers
18. Laptop chargers
19. Photo frames
20. Giant Staplers
21. Giant Punchers
22. Mini DVD tapes