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EASTERN CAPE

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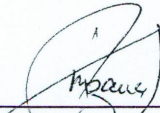
Departmental Asset Management Protocol (DAMP)

Policy

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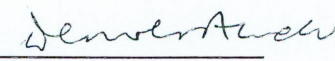
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29/7/2007
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POLICY REVIEW

The Asset Management Policy is subject to an annual review and when there are changes in the Asset Management Guideline or as per instructions issued by National Treasury.

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1. INTRODUCTION

- 1.1 This policy is intended to define and provide a framework for the Asset Management of the Department of Social Development (EASTERN CAPE) within the guiding principles of the Public Finance Management Act (PFMA), Treasury Regulations, National Treasury Guidelines, Generally Recognised Accounting Practices (GRAP), and Accounting Standards and to promote good financial management practices.
- 1.2 In order to produce a comprehensive and complete asset register that is compliant to the guidelines above, an Asset Identification System shall be operated in conjunction with its computerised Asset Register.

2. OBJECTIVE OF THE ASSET MANAGEMENT POLICIES AND PROCEDURES

- 2.1 The objective of the asset management policy is to prescribe the accounting and administrative policies and procedures relating to property, plant & equipment (Assets) of the Department of Social Development. It is also to enable the department to meet its service delivery objectives economically, effectively and efficiently by achieving the best match of assets with service delivery objectives.
- 2.2 The objectives include the following:
 - To safeguard the assets of Department of Social Development and to ensure the effective use of the existing resources.
 - To emphasize a culture of accountability over Department of Social Development assets.
 - To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation.
 - To provide a formal set of procedures that can be implemented to ensure Department of Social Development asset management is in compliance with the Public Finance Management Act (PFMA).
 - To ensure and facilitate efficient asset management of Department of Social Development's assets.
 - To establish controls that must ensure proper management of risks associated with ownership and safeguarding of assets.
 - To ensure compliance with Department of Social Development's accounting policy and the PFMA.
 - To ensure that a record is kept of all assets within Department of Social Development.

3. ROLE OF THE ACCOUNTING OFFICER

- 3.1 Section 38(1) 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 the department.
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.

The Accounting Officer is in terms of the provisions of this Act responsible for:

- o The management including the safeguarding and maintenance of assets belonging to the department.
- o 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.
- o 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.
- o Assigning/ delegating Inventory Controllers in writing.

4. ROLE OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer shall ensure that a complete, accurate and up-to-date computerized asset register is maintained.

4.1 The Asset Manager

- a) Shall ensure that the Asset Register is maintained, verified and balanced regularly.
- b) Shall ensure that assets are verified at least annually.
- c) The asset verification report shall –
 - i. Reflect a complete list of all assets found during the verification;
 - ii. Reflect whether appropriate records have been maintained reflecting what articles should have been found during verification;
 - iii. Reflect any discrepancies between the articles found during verification and the recorded assets in the Asset Register;
 - iv. Reasons for variances should be established, recorded and investigated and corrective measure should then be taken.
- d) Shall ensure that the Asset Register is reconciled monthly with the general ledger and reviewed by the Head-Supply Chain Management Unit.
- e) Shall ensure acquired assets are clearly marked/ bar-coded on the date of delivery or on receipt date.
- f) Provide 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) Shall ensure that a system of identifying assets is developed.

5. ROLE OF ALL DIRECTORATES

All Directorates:

- a) Shall ensure that employees in their Directorates adhere to the approved Asset Management Policies and Procedures.

- b) Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policy.
- c) Shall ensure that assets and/or inventory items of the department are not used for private gain.
- d) Shall be accountable and responsible for all assets allocated to his/her Directorate
- e) Shall ensure that the Supply Chain Management Unit is notified of any changes in the status of the assets under the directorate's control before changes take place.
- f) Shall ensure that all obsolete and broken inventory and asset items are reported to the asset managers without delay.
- g) Shall ensure that the correct cost allocations are being used before authorizing any requisitions.

The Human Resources Directorate:

- a) Shall ensure that no monies are paid out on terminations of service without receiving the relevant Debt Route Form signed off by the relevant directorate.
- b) Shall ensure that every Debt Route Form is counter signed by the Supply Chain Management Unit before processing the termination of service.

6. DEFINITION OF AN ASSET

An asset is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity over a period extending beyond one financial year.

6.1 Leased Assets

An asset held under a finance lease, if it meets the criteria of a fixed asset, shall be so recognized, as the department has control over such an asset even though it does not own the asset.

6.2 Transferred Assets

An asset that is transferred from another department is deemed to be controlled by the department to which it is transferred and should be recorded at fair value.

6.3 Donated Assets

An asset that is donated, given or bequeathed to the department is deemed to be controlled by that department unless any restrictions exist that prevents the department having control of it and should be recorded at fair value.

7. ASSET REGISTER

An Asset Register (AR) is a database consisting of all assets of the department and it provides the details of the figures disclosed in the annual financial statements. It stores information on each asset and all assets owned and controlled by the entity must be recorded in the AR at cost, regardless of the funding source. All scrapped assets must be removed from the AR. An adequate asset register is integral to effective asset management. It is the basis of an asset management information system and should contain relevant data beyond that required for financial reporting.

7.1 Format of the Asset Register

The AR shall be maintained in the format determined by the Accounting Officer, which format shall comply with the requirements of Generally Recognized Accounting Practice (GRAP) and asset management guideline.

Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the AR shall reflect at least the following information:

- the date on which the asset was acquired or brought into use
- a brief but meaningful description of each asset
- Supplier from which the asset has been acquired
- the location of the asset
- the directorates within which the assets will be used
- where applicable, the serial number of the asset
- Condition of an asset
- the original cost, or the revalued amount or a reasonable value if no costs are available
- accumulated depreciation to date
- the carrying value of the asset
- the method and rate of depreciation

8. CLASSIFICATION OF ASSETS

Assets are recorded according to a particular classification in the asset register. Assets vary considerably in their size and nature, and it is useful to classify them into groupings for management control and financial

treatment. Management control would refer to land and buildings, furniture and fittings etc. Financial treatment refers to classifying assets as either capital or current assets. It is very important to classify and group all capital assets to ensure control, efficiency and adherence to management and reporting policies.

In compliance with the requirements of GRAP, the Accounting Officer shall ensure that all assets are classified under the following headings:

- o Land & Buildings are major tangible assets that are essential to the delivery of services. They are a long term commitment that places significant ongoing demands on financial resources well into the future.
- o Infrastructure assets are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks. Infrastructure can be considered as a single asset or more usefully as a collection of different assets. Each individual asset shall be measured at its own cost and own lifespan, which will influence the depreciation of such an asset
- o Plant and Machinery are tangible assets that are held by an organization for use in the production or supply of goods and services, for rental to others or for administrative purposes and are expected to be in use for more than one year.
- o Motor Vehicles consists of all motorized transport used for the conveyance of people and objects. Provincial vehicles are classified into two categories, pooled and subsidized. Pooled vehicles belong to Fleet Africa and therefore do not form part of the Asset Register (AR). Subsidized vehicles also do not form part of the department's AR.
- o Computer Equipment and Software - Computer assets are computers and any other computer related equipment. Software is a program that enables the computer to perform certain functions.
- o Furniture and Equipment are all items of equipment (e.g. fax machines, photocopiers, binders etc.) and furniture (desks, chairs, tables, filing cabinets etc.) that are used for administrative purposes.

NB It is recommended as a guideline that all assets under R5000.00 are classified, recorded and reported as minor assets purchased and should be written off/depreciated in the fiscal year of acquisition and in the following year will be recorded as R1.

9. ACQUISITION OF ASSETS

9.1 Planning Process For Asset Acquisition

- o Program Managers must align activities in the Strategic Plan and the budgetary allocations with the asset requirements of the office and develop an Asset Acquisition Plan.
- o The Asset Acquisition Plan must be informed by the future service or economic benefits to be derived directly or indirectly from the asset in support of service delivery.
- o A cost-benefit analysis must be conducted when determining whether a major asset should be leased, purchased, transferred from another entity or obtained through a Public Private Partnership.
- o The various strategies for the acquisition of assets must comply with the Supply Chain Management Policy.

- The Asset Acquisition Plan must detail all assets that will be purchased and/or leased in a particular financial year with expenditure projections for each month of that year.
- The relevant Program Manager is required to approve the Asset Acquisition prior to the commencement of any purchases of assets.

9.2. Acquisition of Assets

- The acquisition must adhere to the Supply Chain Management Policy and delegation of authority of the Department.
- The descriptions utilised for the asset that is being acquired must be consistent with the Standardised Asset Description Lists of the Department
- Asset descriptions and Catalogue can only be utilised after approval by the Chief Financial Officer.
- The receiving official (SCMU) must verify quality, quantity and price of the asset before signing delivery note.
- All acquisitions must be recorded in the Asset Register by the Assistant Manager: Assets.
- The Asset Register must be reviewed and signed by the Manager: Assets.
- The reconciliation of the orders placed against orders received, BAS report and physical verification must be performed monthly.

9.3 It-Related Equipment

Methods of purchasing are of particular importance in the case of computer equipment and software. The pace at which technology is changing results in an almost continuous need to upgrade and replace computer equipment and software in order to keep up to date. All IT related items are purchased via procurement agency (SITA) procedures in terms of Section 7(3) of the SITA Amendment Act.

- The user requesting the IT equipment should forward a request for acquisition on a memorandum detailing the nature of the request from the relevant program manager.
- On receipt of the computer equipment and the software, the purchase requisition must be compared to the supplier invoice /delivery note and signed by the SCMU and IT official as proof of inspection to ensure that the description and value of the goods ordered are correct.

10. RECORDING/ CAPTURING OF FIXED ASSETS

10.1 Maintenance Of The Asset Register

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

10.1.2 The Asset Register must contain data on:

- A date on which the asset was acquired or brought into use
- A brief but meaningful description of each asset
- Supplier from which the asset has been acquired
- The location of the asset
- The directorates within which the assets will be used
- Where applicable, the serial number of the asset
- Condition of an asset
- The original cost, or the revalued amount or a reasonable value if no costs are available
- Accumulated depreciation to date
- The carrying value of the asset
- The method and rate of depreciation

10.1.3 The Asset Register must be reconciled and updated monthly.

10.2 Bar coding/ Marking Of Assets

10.2.1 Newly acquired assets must be bar-coded/ marked on the date of delivery or within 2 working days of receipt of the asset.

10.2.2 All bar-coded/ marked assets and locations must be recorded in the asset register

11. SAFEKEEPING OF ASSETS

- The Accounting Officer should 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 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.
- Every head of directorate shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the directorate in question.
- In exercising this responsibility, every head of directorate shall adhere to the asset management policies and procedures with regard to the control of or safekeeping of the department's fixed assets.
- 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.
- All assets used by employees shall be returned upon termination of employment, the day the employee leaves the department.

11.1 Verification Of Assets

- 9.1 All assets shall be physically verified and confirmed at least once a month.
- 9.2 Any variances identified after the physical verification of Assets must be followed up and communicated to the Asset Manager, Responsible officer and Head of the component.
- 9.3 The Asset manager must approve all corrective measures that will address the identified variances.

11.2 Movement Of Assets

- o No asset will be transferred or moved without the proper approval by the delegated officials.
- o An Asset transfer or movement form must be completed and be forwarded to the Asset Section for updating the Asset Register before the movement.

12. LOSS/MISUSE OF ASSETS

- o The safekeeping of assets is the responsibility of the individual in custody of that asset.
- o Should a loss or damage to the asset occur, such loss or damage should be reported to the police within 24 hours of discovery.
- o A detailed report should then be submitted to the Loss Control Officer and as well as disposal committee together with the police case number.
- o All cases of loss, damage or theft should be properly investigated by obtaining all particulars and statements relating to such loss.
- o 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 that official. If the asset was insured, the individual should be liable for the payment of excess resulting from the claim of that asset.

13. CAPITALISATION CRITERIA

All assets with a value of R5000.00 or less will be classified as minor assets and will be bar coded/ marked and be classified as current expenditure depreciated in full in the year of acquisition. As some of these assets could be classified as highly desirable assets, it is necessary that all minor assets are classified, recorded and reported as minor assets.

All assets with a value of more than R5001 shall be purchased against the capital budget and be recorded in the major asset register.

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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.

Expenses incurred in the maintenance or reinstatement of an asset shall be considered as operating expenses 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. Expenses which are reasonably ancillary to the bringing into operation of an asset may be capitalized as part of such an asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, and installation, assembly and communication costs.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure: -

Capital Expenditure	Maintenance
<ul style="list-style-type: none"> ○ Acquiring a new asset ○ Replacing an existing asset ○ Enhancing an existing asset so that its use is expanded ○ Further developing an existing asset so that its original useful life is extended 	<ul style="list-style-type: none"> ○ Restoring an asset so that it can continue to be used for its intended purpose ○ Maintaining an asset so that it can be used for the period for which it was initially intended.

14. MAINTANANCE OF ASSETS

All government assets shall be serviced and maintained in accordance with the policy and specifications prescribed by the manufactures concerned to ensure effective utilisation.

The objective of operational and maintenance plan is to endure assets remain appropriate to program requirement, are effectively utilized, maintained in the necessary conditions to support program delivery at the lowest possible long term cost.

Program Managers as well as Asset managers are responsible for physical condition, use, functionality and financial performance of the assets they consume in delivering programs such as

- Setting the required condition of the asset relative to its service delivery.
- Inspecting the asset in comparing its condition with the requirements
- Forecasting the future condition of the asset

15. DEPRECIATION OF ASSETS

Depreciation may be defined as the monetary quantification of the extent to which an asset is used or consumed in the provision of economic benefits or the delivery of services.

A straight line method of depreciation should be used to allocate the depreciable amount of an asset over its useful life.

- Depreciation of existing assets- Assets where the cost price or valuation and acquisition date is known must be recorded in the asset register. The depreciation for the asset from the date of acquisition to the date of recording must be calculated and entered in the asset register as accumulated depreciation.
- Depreciation on additions- Depreciation on addition is calculated from the beginning of the month of acquisition. This is the proposed and approved policy for depreciation on additions for government.
- Depreciation on disposal- Depreciation is not calculated for the month in which an asset is disposed of. There will therefore be no depreciation charge for the month of disposal.

16. ASSETS RECONCILIATION

Reconciliation should be done monthly between the asset register and the asset control accounts in the general ledger to make sure that all assets, asset acquisitions and disposals have been accounted for in the general ledger and the asset register. The person responsible for the update and management of the asset register must prepare the reconciliation and must sign and date it for control purposes. A senior official must review the reconciliation and must sign and date it as proof of review. All reconciling items must be followed up and cleared immediately. Reconciling the asset register to the general ledger involves comparing the balances of the asset control accounts on the general ledger to the balances on the asset register.

17. DISPOSAL OF FIXED ASSETS

Decisions to dispose of an asset require thorough examination and economic appraisal. Like acquisition decisions, they must be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the department's overall resource allocation objectives.

- The Asset disposal plan is to terminate a control of a particular asset inline with Asset guidelines but may generate the need for a replacement to support the continuity delivery of services.
- Reasons for disposal actions are as followed: surplus, underperforming, unserviceable and obsolete.
- The disposal method strategy includes sale by auction, quotation, tender, PPP contract, trade in, write off and letting.
- Once an asset has been identified for disposal, the Asset Manager will then notify the Board of Survey Committee for rechecking and recommendation with the disposal strategy will be forwarded to the Accounting Officer for an approval.
- Database of redundant items is maintained and a copy is forwarded to Supply Chain Management Component.

18. INSURANCE OF FIXED ASSETS

Section 12.1.1 of the Treasury Regulations reads thus: "Subject to the provisions of this regulation, or any other legislation or agreement, the State will bear its costs in respect of own damages and accident risks and be responsible for all claims and losses in respect of State property, where these arise from State activities by an official who is liable in law and who is or was employed by an institution."

The department shall ensure that all IT related equipment is insured at fair value eg Laptop, Data projectors and video cameras.

19. ANNEXURE: FIXED ASSET USEFUL LIVES

	USEFUL LIFE IN YEARS	
	MIN	MAX
Property, Plant and Equipment		
Land- Developed and undeveloped	N/A	
Buildings	25	30
Other Machinery and Equipment		
o Audiovisual equipment	5	10
o Building air conditioning systems	10	15
o Cellular phones(over R5000)	0	2
o Power distribution equipment	5	7
o Elevator systems	15	20
o Fire Fighting equipment	3	5
o Kitchen appliances	5	10
o Radio equipment	5	7
o Photographic equipment	5	7
o Security equipment(fixed or movable)	3	5
o Telecommunication equipment	3	5
Furniture and Office Equipment		
o Advertising Boards	3	5
o Air Conditioners	3	5
o Cutlery and Crockery	5	10
o Domestic furniture	10	15
o Linen and soft furnishing	5	10
o Office equipment (including fax machines)	5	7
o Office furniture	5	7
o Paintings, sculptures & ornaments	5	10
Computer Equipment		
o Computer hardware	3	5
o Computer Software	2	5
Vehicles	4	7
o Trailers and accessories	5	10



1. ANNEXURE: ASSETS PROFORMAS

ASSET TRANSFER FORM

Purpose of Transfer: _____

Current Location / User Information	
Directorate	
Department	
Division	
Cost Centre Code	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name	
Telephone No. / Extension	()
Manager: Full Name	
Telephone No./ Extension	()

New Location / User Information	
Directorate	
Department	
Division	
Cost Centre Code	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name	
Telephone No./ Extension	()
Manager: Full Name	
Telephone No./ Extension	()

No	Asset Bar Code No.	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			
Manager / Supervisor (Current User)			
New Asset User (Receiving)			
Manager / Supervisor (Receiving User)			
Asset Management			

(Handwritten initials)



ASSET ADDITIONS FORM

The following fixed assets were installed / purchased during the month of _____ 200__

Fixed Asset Location Information	
Directorate	
Department	
Division	
Cost Centre Code	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name & Surname	
Telephone No./ Extension	
Manager: Full Name & Surname	
Telephone No./ Extension	

No	Asset Bar Code No.	Room Bar Code	Asset Serial No. or Vehicle Reg No.	Fixed Asset Description
e.g.	B1370	R3182	8842BWZ20207	Compaq Deskpro CPU
1.				
2.				
3.				
4.				
5.				
6.				

Designation	Name and Surname	Signature	Date
New Asset User (Receiving)			
Manager / Supervisor			
Asset Management			

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ASSET DISPOSAL FORM

The following fixed assets were disposed of during the month of _____ 200__

Fixed Asset Location Information	
Directorate	
Department	
Division	
Cost Centre Code	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name & Surname	
Telephone No. / Extension	
Office Manager: Full Name & Surname	
Telephone No. / Extension	

No	Asset Bar Code No.	Room Bar Code	Asset Serial No. or Vehicle Reg No.	Fixed Asset Description
e.g.	B1370	R3182	8842BWZ20207	Compaq Deskpro CPU
1.				
2.				
3.				
4.				
5.				
6.				

Designation	Name and Surname	Signature	Date
Existing Asset User			
Manager / Supervisor			
Asset Management			

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