

# **Northern Cape Provincial Administration**

## **Office of the Premier**



# **Asset Management Policy**

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## 1. KEY DEFINATIONS AND ABBREVIATIONS

**Asset Management** is a process of guiding the acquisition, use, safeguarding and disposal of assets to make the most of their service delivery potential, manage the related risks and costs over their entire useful lives.

An **asset** is a resource controlled by the department as a result of past events from which future expected benefits are expected to flow to the department.

An **Asset Manager** is an official within the Office of the Premier, who is responsible for all asset management activities such as recording, maintaining and disposal of assets.

An **Asset Management Unit** is an office responsible for the maintenance, safekeeping, recording and updating of assets within the Office of the Premier.

An **Asset register** is a document listing (electronic or manual) of assets for the department

**Major asset register** lists assets that have individual value of R 5000 or more.

**Minor asset register** lists assets that have individual value that is less than R 5000

**Intangible asset** is an identifiable non-monetary asset without physical substance.

**Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction.

**Fair value** is the amount for an asset that could be exchanged between knowledgeable or a liability settled between willing parties in an arm's length transaction.

**Accounting Officer** is the Head of the Department

**Chief Financial Officer** (hereinafter referred to as CFO) is an Officer who is responsible for the overall financial activities of the department

**Unit Head** is a member of the Management Team responsible for a sub-programme within the Office of the Premier.

**OTP** refers to Office of the Premier

## 2. LEGISLATIVE FRAMEWORK

Public Finance Management Act, Act No. 1 of 1999 (as amended by Act No. 29 of 1999)

Treasury regulations (March 2005)

Generally Recognised Accounting Practice

National Treasury Asset Management guide

Provincial Asset Management Policy

### **3. INTRODUCTION**

- 3.1. This policy seeks to define and provide a framework for the Asset Management of the Office of the Premier (Northern Cape) within the guiding principles of the Public Finance Management Act (PFMA), Treasury Regulations, National Treasury Guidelines, Provincial Treasury Guidelines, Generally Recognised Accounting Practices (GRAP), and Accounting Standards and to promote good financial management practices.
- 3.2. 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 computerized Asset Register.

### **4 OBJECTIVES**

The objective of the asset management policy is to prescribe the accounting and administrative policies as well as procedures relating to assets of the Office of the Premier. 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.

#### **The objectives include the following:**

- To safeguard the assets of OTP and to ensure the effective use of the existing resources.
- To emphasize a culture of accountability over OTP assets.
- To ensure that effective controls are communicated to all employees through clear and comprehensive written documentation.
- To provide a formal set of procedures that can be implemented to ensure OTP asset management is in compliance with the Public Finance Management Act (PFMA).
- To ensure and facilitate efficient asset management of OTP's assets.
- To establish controls that must ensure proper management of risks associated with ownership and safeguarding of assets.
- To ensure that a record is kept of all fixed assets within OTP.

### **5 ROLES AND RESPONSIBILITIES WITH REGARDS TO ASSET MANAGEMENT**

#### **5.1 Role of the Accounting officer**

- 5.1.1 Section 38(1) of the PFMA places the responsibility of asset management with the Accounting Officer of a 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.
- 5.1.2 The Accounting Officer is in terms of the provisions of this Act responsible for:
  - The management including the safeguarding and maintenance of assets belonging to the department.

- 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.
- 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.

## 5.2 Role of the Chief Financial Officer

To support the Accounting Officer's ultimate accountability role with regards to asset management, the CFO:

- a) Shall ensure that asset register is maintained, verified and balanced regularly.
- b) Shall ensure that assets are verified at least annually.
- c) Shall ensure that the asset register is reconciled regularly with the general ledger.
- d) Shall ensure that acquired assets are clearly marked/ bar-coded after delivery date/receipt date.
- e) Shall ensure that a system of identifying assets is developed (Bar-coding of assets)
- 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.

## 5.3 Role of Each Unit Head and each Official

All Unit Heads:

- a) Shall ensure that employees in their units are familiar and adhere to the approved Asset Management Policies and Procedures.
- b) Shall ensure that assets are properly maintained in accordance with the 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 Asset Manager is notified of any changes in the status of the assets under the directorate's control before changes take place. **NB: UNDER NO CIRCUMSTANCES CAN A MOVEMENT OF ASSETS FROM ONE LOCATION TO ANOTHER HAPPEN WITHOUT THE NOTIFICATION AND APPROVAL OF THE ASSET MANAGER, WHO WILL THEN UPDATE THE INVENTORY LIST OF THE CUSTODIAN AND THE ASSET REGISTER**
- f) Shall ensure that all obsolete, broken asset items are reported to the Asset Manager without delay so that the maintenance or disposal process can commence.
- g) Shall perform the initial investigation of any loss incurred under his/her control before reporting the matter in writing to Asset Manager.

## **5.4 Role of Human resources**

The Executive Manager – Human resources:

- a) Shall ensure that no monies are paid out on terminations of service without consulting the asset manager with the debt route resignation form to check for a possibility of debt
- b) Shall ensure that every asset resignation form is counter signed by the Asset Manager before processing the termination of service.
- c) Shall inform Asset Manager with terminations or suspensions in writing before the official leaves the Department.

## **5.5 Provincial Treasury**

Provincial Treasury is responsible for:

- Overall financial accounting for assets that are under the physical custody and control of departments.
- Set up a policy framework and guidelines for proper financial management of assets.

## **6. ASSET LIFE-CYCLE MANAGEMENT**

OTP shall strive to adhere to be generally accepted best practices as its assets pass through the following various critical life cycle phases:

- Asset planning,
- Asset acquisition,
- Asset operation & Maintenance, and
- Asset disposal

### **6.1 Planning Phase**

OTP shall ensure that all its assets are acquired for a specific purpose and the decision to acquire assets shall be driven by strategic imperatives.

### **6.2 Acquisition Phase**

OTP shall ensure that asset acquisitions are within the ambit of the Supply Chain Management Policy in all material respects.

### **6.3 Operations & Maintenance Phase**

OTP shall endeavour to ensure best optimal use/performance of assets as original intended and some assets may have appropriate maintenance plan. The department shall insure all its assets within the ambit of any applicable government regulations.

## **6.4 Disposal Phase**

OTP shall consider/make a disposal decision after intensive examination of the economic usage of the asset e.g. considerations of issues like obsolescence, underperformance, and unserviceability e.t.c. OTP shall bear in mind cost-benefit factors when considering various disposal options like sale to public (auction/tender), trade-in, and write-off e.t.c.

The Accounting Officer shall appoint a Disposal Committee to advise him/her on disposal matters. The Accounting Officer must approve all disposals of assets irrespective of amounts. OTP shall deposit all disposal proceeds to the Provincial Revenue fund

Due to the strategic nature of the department, all IT related disposals e.g. computer's hard drive shall be removed to safe guard OTP information before physical disposal takes place.

## **7 ACCOUNTING TREATMENT OF ASSETS (TANGIBLE & INTANGIBLE)**

### **7.1 Initial recognition & Measurement**

The Office of the Premier shall recognise items that meet the definition and recognition criteria of an asset (tangible or intangible) in line with National Treasury guidelines.

Items satisfy the aforesaid recognition criteria if, and only if:

- ❖ Meet the probability criteria (it is probable that any future economic benefits or service potential associated with the asset will flow to the Department); and
- ❖ Meet the measurement criteria (the asset has a cost of value that can be measured with reliability).

The OTP shall initially record its newly acquired assets at cost in the appropriate asset register (minor or major). For purposes of initial recognition, cost refers to the following:

- original invoice price,
- or fair value equivalent;

The Office of the Premier shall consider the aforesaid "COST" options in a descending order as indicated above. The department may use R1 as the take-on value of capital assets in the asset register and in the disclosure notes, if and only if, it is impossible to determine the original invoice or fair value price options (The only exception to this treasury regulation applies to assets acquired before 1 April 2002 and recorded in the asset register at R1 due to lack of cost records)

Assets transferred from other departments shall be recorded at 'COST' options mentioned above in their descending order. Donated assets to the department shall be recorded at the "COST" options mentioned above in a descending order.

Assets transferred to other departments shall be disposed of at 'COST' options mentioned above in their descending order. Donated assets to other departments or institutions shall be disposed of at "COST" options mentioned above in a descending order.

## 7.2 Subsequent recognition & Measurement

The OTP will not subsequently revalue its major or minor assets in terms of any revaluation accounting model. The departmental assets shall remain at cost in the asset register until the date of recognition. An asset shall be derecognised from the asset register when it is sold, donated/transferred, scrapped etc. **and ultimately disposed of**. Any subsequent expenditure incurred on an existing asset that is of a capital nature shall be added to the cost of the asset in the asset register provided it enhances the performance of the said asset or upgrades it. The proceeds from the sale of an asset are regarded as departmental revenue and shall be paid over to the relevant revenue fund upon receipt thereof.

## 7.3 Fair valuation of assets

When it is not practicable to obtain the original invoice price to measure its assets for recording purposes, OTP shall use any of the following National Treasury prescribed valuation methods when assessing fair value of assets:

- Open market value

This value represents the value that will be obtained for an asset; the class of asset being readily traded and the value will be that as quoted in an active and liquid market.

### Example

The value for a motor vehicle can be obtained from a dealers' guide which provides the trade-in and retail value by car make, model and year.

- Market-based value

This is a value that is market related and would indicate assets that are not readily traded resulting in a less active and liquid market. Value will be obtained through the adjustment of the open market value of a similar item through the use of price indices or other means to account for the differences between the assets.

### Example

A helicopter no longer produced can be related to the value of a similar helicopter currently produced.

- Depreciated replacement cost

The value is determined by the cost of a new asset of the same type. The cost is then adjusted to take into account the differences between the old asset and the new in terms of bigger capacity and depreciation to reflect the remaining useful life of the actual asset on hand.

### **Example**

A set of boardroom furniture, that is priced at the value of a new set of the same type, but depreciated for the age of the set on hand.

## **7.4 Accounting for Depreciation**

The Office of the Premier does not depreciate its assets since it still on modified cash-accounting basis.

## **7.5 Presentation and disclosure**

OTP shall ensure that all acquisitions of major assets, for the current financial year, are presented on the face of the statement of financial performance under “expenditure for capital assets”. OTP shall ensure that there is a detailed asset disclosure note to the statement of financial position as per National Treasury regulations. The asset register shall serve as basis/source of asset figures to be disclosed in the financial statements.

## **8 ASSET REGISTER**

OTP shall keep and maintain an electronic major asset register of all assets it owns that have a value of R 5 000 or more each. The department shall also keep & maintain an electronic minor asset register for all assets that have an individual value of less than R 5 000 each.

### **8.1 Recording/Capturing/bar coding of fixed assets**

Asset Management Unit shall solely be responsible for marking / bar-coding of all assets in the Department with a unique number for accountability and control purposes. Assets shall be delivered directly to Finance Unit, which shall ensure that the asset is marked / tagged promptly and then deliver the marked/tagged assets to the appropriate location/Unit.

A primary asset shall be tagged, for assets with secondary components e.g. central processing unit (CPU) of a computer will be a primary asset and the monitor will be a secondary asset. Intangible assets e.g. software shall not be tagged/bar-coded due to their non physical nature. Whenever a Unit finds that an asset item is not marked due to whatever reason, Asset Manager must immediately be informed of such item for corrective action to happen.

### **8.2 Maintenance of the asset register**

The asset register shall be updated regularly of asset additions (e.g. new acquisitions, donations in, transfers in from other entities e.t.c), disposals and authorised internal movements of assets from one location to another. The asset register shall contain minimum required information as prescribed by National & Provincial Treasuries. The asset register shall be reconciled with the general ledger.

### 8.3 Safekeeping of assets

The custodian of each asset is responsible for each asset allocated to him/her for use and shall incur full financial liability with regards to the loss of such assets if there is negligence on part of the custodian. Custodians shall be made to sign inventory lists that reflect assets allocated to them and a statement shall be inserted on such inventory lists outlining full responsibility (financial or otherwise) in event such assets are unaccounted for in future asset verifications.

### 8.4 Physical verification of assets

All assets shall be physically verified at least once during the financial year. Any variances detected after the physical verification process shall be documented in a report and communicated to the CFO who shall ensure that corrective measures take place to remedy the situation.

### 8.5 Movement of assets

No asset item of the Department is allowed to be moved or transferred anywhere from the custodian location without written approval of the Asset Movement inventory form. **(Refer to 5.3 above)**. The asset movement form shall be approved in advance and the Asset Manager or asset practitioner must be physically present during the actual physical moving process of the assets. Any contravention of the use of the asset movement form shall be viewed in a serious light by the department and should it be detected at a later stage that assets allocated to the custodian are missing/unaccounted for, the affected custodian will be financially responsible for the accounted assets.

### 8.6 Allocation and usage of IT equipment

Allocation of desktops / laptops and ipads to staff members must be determined by the nature of an official's work and responsibilities, e.g. an official must meet the following criteria to qualify for a laptop usage.

- ❖ Must frequently be expected by his or her supervisor or unit head to take work home or to work after hours
- ❖ Must be a regularly out of office
- ❖ Must regularly be expected to make presentations or documents sharing in meetings
- ❖ Must provide technical assistance or needs of laptop users
- ❖ Must always accompany and provide technical assistance to his or her supervisor or unit head in meetings
- ❖ The unit head must provide a detailed motivation for such a requisition

**Senior managers and middle managers are by virtue of their responsibilities excluded from the above criterion**

Usage of the ipad by senior managers is left to the discretion of the Accounting Officer or delegated official

## **8.7 'Loaning' of assets to officials**

All units that loan assets to officials shall keep and maintain an appropriate record and implement any other relevant internal controls to prevent the loss of assets during the loan period to ensure that proper documentation is maintained. Unit Heads shall perform regular monitoring controls e.g. surprise checks on the 'loan register to ensure that the system operates as originally intended. Asset Management section shall also work closely with custodians of loaned assets as it will have an impact on the asset register.

Departmental assets may be loaned to other departments with the express written approval of the Accounting Officer in rare exceptional instances. The Asset manager must be consulted after such approval to affect updates to asset register.

## **8.8 Loss/Damage/Theft of assets**

The safekeeping of assets is the responsibility of the Official with custody of the asset. The Accounting Officer shall appoint a Loss Controller Officer. Should a loss or damage to the asset occur, such loss or damage should be reported to the police within 24 hours of discovery by responsible official. A detailed report on the circumstances and background of the loss must be compiled in writing and signed by the Unit Head and should then be submitted to the Loss Control Officer and the Asset Manager together with the police case number for further investigation. The loss control officer must after his or her investigation submit a report to departmental security investigation unit for further investigation on the matter

The responsible official must also indicate in the report as to what actually happened and which reasonable steps were taken to ensure that the assets were kept safe prior to the loss of the items. All cases of loss, damage or theft should be properly investigated by the security investigating unit by obtaining all particulars and statements relating to such loss from the responsible official.

Should it be established by the investigation unit's recommendation report that the loss or damage occurred as a result of negligence by an individual responsible for that asset, e.g. office/house/car not locked, 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.

The Asset Controller shall maintain a Loss Control register to record all pertinent details the loss, damage or theft of the asset including progress thereon if there is investigation.

## **8.9 Useful life of assets**

### **8.9.1 Office furniture**

Office furniture will be maintained to keep the assets in good working condition and extend its useful life. The estimation of the useful life will be a matter of judgment based on the experience of the department with similar assets.

### **8.9.2 Computer hardware**

The useful life may be extended by subsequent disbursements on the asset, which improve the condition of the asset beyond its most recently assessed standard of performance. Alternatively, technological changes or changes in the market for the products may reduce the useful life of the assets. The estimation of the useful life will be a matter of judgment based on the experience of the department with similar assets.

### **8.9.3 Computer software**

The useful life of assets will depend on the continuation of the products by the product holder, who are responsible for updates and maintenance of the assets.

### **8.9.4 Lease register**

OTP shall maintain a separate register for all leased assets.

## **9 RISK MANAGEMENT & INSURANCE OF ASSETS**

Risk management relating to asset management shall be within a wider context of wider risk management efforts of the department as per its risk management strategy.

The department shall insure certain categories of its assets within the ambit of any applicable government regulations, taking into account, the risk exposure level.

## **10 CONCLUSION**

This policy shall be reviewed on annual basis to update with developments/instructions/practice notes by either National or Provincial Treasuries.

o ANNEXURE: KEY ASSETS FORMS

## ASSET MOVEMENT FORM

**Purpose of Transfer:**

### Current Location / User Information

Unit e.g. Finance	
Section e.g. Financial Acc	
Programme e.g. Programme 1	
Name of Building	
Floor Number	
Room Number	
<b>Room Barcode Number</b>	
User: Full Name	
Telephone # / Extension ( )	

### New Location / User Information

Directorate/Unit	
Section	
Programme	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: 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/Approval

Designation	Name	Signature	Date
Current User			
New Asset User (Receiving)			
Unit Head/ Supervisor (Current User)			
Unit Head / Supervisor (Receiving User)			
Asset Manager			

## ASSET ADDITIONS FORM

The following fixed assets were installed / purchased during the month of \_\_\_\_\_

Fixed Asset Location Information	
Unit e.g. Finance	
Section e.g. Financial Acc	
Programme e.g. Program.1	
Name of Building	
Floor Number	
Room Number	
Room Barcode Number	
User: Full Name & Surname	
Telephone # / Extension	
Office Manager: Full Name & Surname	
Telephone # / Extension	

No	Asset Bar Code #	Room Bar Code #	Asset Serial # or Vehicle Reg #	Fixed Asset Description
1.				
2.				
3.				
4.				
5.				
6.				

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

Endorsed by SMT

