



Province of the  
**EASTERN CAPE**  
COOPERATIVE GOVERNANCE  
& TRADITIONAL AFFAIRS

**Asset and Fleet Management Unit**

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## Asset Management Policy

Department of Cooperative Governance and Traditional Affairs

Eastern Cape Province


2022/23

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**SIGN OFF: RECOMMENDATION AND APPROVAL**


**I. Head of Department**

I am satisfied and concur with the contents of this Policy. The implementation of the Asset Management Policy will assist the department to manage its assets, including movable assets, efficiently and in compliance with all relevant policies and regulations.

Policy name	<b>Asset Management Policy</b>
Signed	
Name	<b>Mr. A.A. Fani</b>
Designation	<b>Head of Department</b>
Date	06/10/2022

**II. Executive Authority**

I trust that the guidance from this Asset Management Policy will contribute to the effective management and safeguarding of departmental assets by all.

Policy Name	<b>Asset Management Policy</b>
Signed	
Designation	<b>Honourable Z.A. Williams (MPL) MEC for Cooperative Governance and Traditional Affairs Department</b>
Date	19/10/2022

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## **1. INTRODUCTION**

- (a) The PFMA 1999 and Treasury Regulations as amended apply to management of departmental assets as referred to in S45(e) and S10.1.1(a) & 10.1.2 in as far as Asset Management and Management of Losses is concerned.
- (b) The creation and implementation of this policy is an essential part of asset management reform
- (c) This policy is in line with international best practices and focuses on the following key activities of the asset life cycle:
  - (i) Planning;
  - (ii) Acquisition;
  - (iii) Operation and maintenance; and
  - (iv) Disposal.
- (d) This policy seeks to ensure that: -
  - (i) The total cost of the asset is considered before procuring.
  - (ii) The budget can be aligned with the need for funds at the appropriate time and intervals.
  - (iii) The entire asset management process can be aligned to SCM procedures;
  - (iv) The true total cost of an asset can be readily determined through the maintenance of complete and accurate asset records; and
  - (v) Safeguarding and management of departmental assets is always conducted and adhered to.

## **2. POLICY STATEMENT**

The department believes that the asset management policy is essential to ensure effective and efficient utilization and disposal of public resources and accountability thereof as it is heavily dependent on accurate recording and accounting treatment of departmental assets.

## **3. PURPOSE**

To provide a framework of control measures to the Department, for implementing an effective, efficient, transparent, and consistent mechanism for asset acquisition, utilization, safeguarding and disposal of assets in terms of applicable legislation and prescripts.

**4. DEFINITIONS AND ABBREVIATIONS**

For the purposes of this document, the definitions and abbreviations given in the National Asset Management Framework and the following apply:

<b>NO</b>	<b>Words/Terms</b>	<b>Definitions</b>
	<b>ASSET</b>	A resource controlled by the department as a result of past events and from which future economic benefits or service potential is expected to flow to the department.
	<b>ASSET MANAGEMENT</b>	The process of guiding the acquisition, use, safeguarding and disposal of an asset to make the most of its service delivery potential, and to manage the related risks and costs over its entire life cycle
	<b>ASSET REGISTER</b>	Means a data source that records information on individual assets, in excess of a set value, and which includes the asset’s location, condition, utilisation and ownership details, as well as the value and depreciation of the asset and its major components
	<b>ASSET ACQUISITION</b>	The process by which a department assumes control of an asset;
	<b>ASSET LIFE CYCLE</b>	The life of an asset, from the establishment of the need, through to its acquisition, operation and any maintenance or upgrading, to its disposal
	<b>ASSET DISPOSAL</b>	The process by which a department relinquishes control of an asset;
	<b>ASSET STRATEGY</b>	The manner in which the Department proposes to manage its assets across all phases of their life cycle, in order to meet service delivery needs most cost-effectively.
	<b>ASSET UTILISATION</b>	The measure of how effectively an asset is being used to meet the Department’s service delivery objectives
	<b>ACCOUNTING OFFICER</b>	Head of Department
	<b>BIOLOGICAL ASSETS</b>	Assets such as living animals and plants
	<b>COST OF AN ASSET</b>	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, less



NO	Words/Terms	Definitions
		any trade discounts and rebates
	<b>COSTING</b>	The process of determining the costs of operating an asset to deliver services;
	<b>CONDITION ASSESSMENT</b>	An assessment of the current condition of an asset and its components, in relation to its service performance, as well as the maintenance or renovation required and associated costs
	<b>HOD</b>	Head of Department
	<b>COGTA</b>	Cooperative Governance and Traditional Affairs
	<b>DELEGATE</b>	Employee appointed by Head of Department (HOD) to carry out functions that were supposed to be done by HOD
	<b>DEPARTMENT</b>	Department of Cooperative Governance and Traditional Affairs - Eastern Cape
	<b>DISPOSAL</b>	Elimination of old redundant unserviceable assets
	<b>DISPOSAL COMMITTEE</b>	A committee appointed to review and make recommendations regarding the disposal of assets under the control of the Department, such assets being regarded as damaged, unserviceable, redundant or obsolete
	<b>LEASED ASSETS</b>	An asset held under an operational lease, if it meets the criteria of a fixed asset, shall be so recognised, as the department has control over such an asset even though the Eastern Cape Department of Cooperative Governance and Traditional Affairs does not own the asset
	<b>IMMOVABLE ASSETS</b>	Are capital assets consisting of land, infrastructure, buildings or a combination of thereof.
	<b>TRANSFERRED ASSETS</b>	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

NO	Words/Terms	Definitions
	<b>HERITAGE ASSETS</b>	Are capital 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
	<b>MOVABLE ASSETS</b>	Assets such as office furniture, office equipment etc. Movable assets are further classified as: a. Major assets; where the asset has a cost of R5 000.00 or more b. Minor assets; where the asset has a cost of less than R5 000.00
	<b>TANGIBLE ASSETS</b>	Are non-monetary assets having physical substance that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes or for the development, construction, maintenance, or repair of other capital assets; and (b) are expected to be used during more than one reporting period.
	<b>INTANGIBLE CAPITAL ASSETS</b>	Assets which are identifiable as non-monetary assets without physical substance, e.g. Software, patents and copyrights, databases, licencing agreements airport landing rights, Import/export licences
	<b>EMPLOYEE</b>	An employee of the department employed in terms of public service act, 1994
	<b>FAIR VALUE</b>	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and interested parties in an arm's length transaction (both parties act in their own best interest)
	<b>REPORTING REQUIREMENTS</b>	Means the ways and processes that the department follows in line with PFMA and applicable National Treasury Guides to identify, report, investigate, recover and manage fruitless and wasteful expenditure and unauthorized expenditure.
	<b>PFMA</b>	Public Finance Management Act, 1999 as amended.
	<b>TR</b>	Treasury Regulations promulgated in term of the PFMA on 15 March 2005
	<b>SCM</b>	Supply Chain Management



NO	Words/Terms	Definitions
	<b>DGITO</b>	Departmental Government Information Technology Office
	<b>CFO</b>	Chief Financial Officer
	<b>GRAP</b>	Generally Recognised Accounting Practices

## 5. SCOPE OF APPLICATION

This policy is applicable to the following employees of the department of Cooperative Governance and Traditional Affairs: -

- (a) Those employees who are employed in terms of the Public Service Act, 1994,
- (b) Those employees who are employed in terms of the Ministerial Handbook,
- (c) Those who are deemed Public Office Bearers and
- (d) any person employed by the department in a temporary or contractual capacity

## 6. LEGISLATIVE AND REGULATORY FRAMEWORK

- 6.1 The Constitution of the Republic of South Africa, Act No. 108 Of 1996.
- 6.2 Public Finance Management Act, Act No. 1 of 1999 (as amended).
- 6.3 National Treasury Regulations.
- 6.4 National Asset Management Framework.
- 6.5 Government Immovable Asset Management Act.
- 6.6 National / Provincial Treasury Circulars.

## 7. OBJECTIVES

- 7.1 To provide guidance to departmental employees on the management, safeguarding, effective use and maintenance of assets.
- 7.2 To emphasize a culture of accountability over the assets of the department.
- 7.3 To provide effective and efficient internal control systems.

## 8. RESPONSIBILITIES OF ALL OFFICIALS

- 8.1 Section 45, paragraph (e) of the PFMA, Act No. 1 of 1999, as amended, applies to all categories of officials of the department.

8.2 That is, each official in the Department is responsible for the management, including the safeguarding of the assets that are entrusted to that official and those that are within that official's area of responsibilities.

## **9. PRINCIPLES AND PROCESSES OF ASSET MANAGEMENT**

### **9.1 Lifecycle of an Asset**

- (a) The life cycle of an asset can be defined as the period that an entity can foresee itself utilizing an asset on an economically effective and efficient basis for the furtherance of the entity's trade or service deliverance.
- (b) This period covers all the phases in the life of an asset from planning, acquisition, operation and maintenance to the eventual disposal of the asset, when it can no longer contribute to the service delivery of the Department. (Refer to Section 17 of this policy).

### **9.2 Planning Phase**

- (a) The process begins when the needs are identified during the strategic planning phase of the organisation, when service delivery targets are identified.
- (b) The Asset Management Plans must underpin the strategic business plans of the Department.

### **9.3 Needs Analysis**

- (a) This is the starting point for asset management, Business Units must thoroughly examine the need for service and infrastructure provision and consider the full range of options for responding to it.
- (b) These include both non-asset and asset solutions as well as demand management strategies and the possible role of private sector providers.

### **9.4 Economic Appraisal**

- (a) This is a systematic weighing up of the costs and benefits of the various asset based and non-asset-based solutions identified, and value management is one technique that assists in this process.
- (b) The appraisal, taken together with Government policy objectives, must lead the Department to develop recommendations that make the best use of scarce resources.

## **10. ACQUISITION OF COMPUTER EQUIPMENT**

10.1 Computer equipment is classified as but not limited to the following items:

10.1.1 Servers.

- 10.1.2 Switches
  - 10.1.3 Firewalls
  - 10.1.4 Storage devices
  - 10.1.5 Uninterrupted Power Supply
  - 10.1.6 LCD Screens/ Monitors
  - 10.1.7 Desktops (Screen, Central Processing Unit - CPU, Keyboard and Mouse).
  - 10.1.8 Laptops.
  - 10.1.9 Printers including portable printers.
  - 10.1.10 iPads / Tablets.
  - 10.1.11 External Hard Drives.
  - 10.1.12 Scanners.
- 10.2 The acquisition of computer equipment is done through Supply Chain Management Section who obtains specifications and quantity from the Information Technology (DGITO) Section of the department.
- 10.3 In procuring computer equipment, the Supply Chain Management Section may use the State Information Technology Agency (SITA) in line with the provision of SITA Act,1998 (Act No.88 of 1998).
- 10.4 SITA accredited service providers may be used for sourcing computer equipment.

## **11. RESPONSIBILITIES OF DGITO ON COMPUTER EQUIPMENT**

11.1 It is the responsibility of DGITO to:

- (a) Ensure that budget for IT equipment is done as per requirement or in line with budget limitations;
- (b) Provide SCM with specifications and quantity of IT equipment required;
- (c) Receive the ordered computer equipment from the supplier;
- (d) Ensure that the quantity received of computer equipment is per the purchase order;
- (e) Ensure the delivery note of the computer equipment reflects the quantity received and is signed off by DGITO personnel and the delivering personnel;
- (f) Ensure the signed delivery note is properly filed for payment and audit purposes;
- (g) Ensure that the received asset/s are safely kept under lock and key until bar-coded by Asset Management Unit before distribution; and
- (h) Ensure that each recipient of a computer equipment signs ICT inventory certificate on taking custodianship of the asset.

## **12. RESPONSIBILITIES OF ASSET MANAGEMENT SECTION ON ASSETS**

12.1 It is the responsibility of the Asset Management Unit to:

- (a) Put a bar-code on all office assets of the department including computer equipment received by DGITO before it is distributed to officials;
- (b) Ensure that all departmental assets are reflected in the asset register;
- (c) Ensure that new assets are captured on the asset register within two (2) working days of receipt by the department; and
- (d) Identify, draw, and submit a list of all obsolete, broken, and unused assets to the departmental Disposal Committee.

## **13. ELIGIBILITY FOR LAPTOPS**

- (a) The MEC and his Core Staff.
- (b) HOD.
- (c) Deputy Director-Generals.
- (d) Chief Directors.
- (e) Directors.
- (f) Deputy Directors.
- (g) Assistant Directors.
- (h) Employees who are field workers and below level 09 must submit a motivation signed by the Programme Manager and a copy of Work Plan Agreement. The allocation will be made possible depending on the availability of laptops.
- (i) Any other officials where laptops are required, applications supported by a motivation and a copy of Work Plan Agreement must be approved by the Head of Department. The allocation will be made possible depending on the availability of laptops.

## **14. ELIGIBILITY FOR TABLETS**

- (a) The MEC and core staff.
- (b) HOD.
- (c) Deputy Director-Generals.
- (d) Chief Directors.
- (e) Any other official whose request for a tablet has been approved by the Head of Department.

**15. ELIGIBILITY FOR DESKTOPS**

- (a) All other officials shall be allocated a desktop as a working tool.
- (b) Officials with laptops shall not be allocated desktops.

**16. PRINTERS AND PORTABLE PRINTERS**

- (a) Laptops and desktops shall be connected to an office bound printer.
- (b) Purchase and use of portable printers shall be discouraged as much as possible for cost containment reasons unless approved by the Head of Department.

**17. DEPARTMENTAL ASSETS LIFE-SPAN**

17.1 Lifespan of assets shall be as follows:

ITEM DESCRIPTION		USEFUL LIFE
		Minimum years
1.	<b>COMPUTER EQUIPMENT</b>	
	Laptop	3 years
	Server	5 years
	Switches	5 years
	IPad/ Tablet	3 years
	UPS	4 years
	Racks	3 years
2.	<b>FURNITURE AND EQUIPMENT</b>	
	Desks	5 years
	Credenza	5 years
	Filing cabinets	5 years
	Roller door cupboard	5 years

ITEM DESCRIPTION		USEFUL LIFE
		Minimum years
	Pedestals	5 years
	Portable printers	3 years
	Chairs	5 years
	Couches	5 years
	Air conditioner	3 years
<b>3.</b>	<b>AUDIO VISUAL EQUIPMENT</b>	
	Cameras	3 years
	Video camera	3 years
	Voice recorder	3 years
	Portable radio	3 years
<b>4.</b>	<b>DOMESTIC EQUIPMENT</b>	
	Heater	2 years
	Urn	2 years
	Water dispenser	2 years
	Tv Set	2 years
	Vacuum cleaner	2 years
	Fan	2 years
	Microwave	2 years
	Fridge	2 years
	Kettle	2 years

**NB. The condition assessment and cost benefit analysis to be undertaken after a minimum useful life of an asset has been exhausted which will inform the decision to either replace or extend the useful life period. This is informed by budgetary constraints in the department.**



**18. PERSONNEL ELIGIBLE FOR TV SETS**

- 18.1 The MEC’s Office.
- 18.2 HOD.
- 18.3 Deputy Director-Generals.
- 18.4 Chief Directors.
- 18.5 TV Sets shall be mounted and secured by a steel bracket on a brick wall in the office of qualifying officials.

**19. BUDGETING FOR DEPARTMENTAL ASSETS**

(a) Assets shall be budgeted for by the departmental sections as follows:

ITEM DESCRIPTION		BUDGET RESPONSIBILITY
1.	SERVERS	DGITO
2.	ROUTERS	DGITO
3.	LAPTOPS	DGITO
4.	DESKTOPS	DGITO
5.	TABLETS	OFFICE SERVICES
6.	PORTABLE PRINTERS	DGITO
7.	TV SETS	ASSET MANAGEMENT
8.	OFFICE FURNITURE	ASSET MANAGEMENT
9.	MACHINERY	ASSET MANAGEMENT
10.	FLEET	FLEET MANAGEMENT
11.	SOFTWARE	DGITO

**20. RECORDING, VALUATION AND REPORTING**

(a) The department shall maintain an electronic central record of movable assets which will be known as the Asset Register.

- (b) Asset Management is responsible for the departmental Asset Register and therefore the bar-coding and recording of assets in the Asset Register.
- (c) Asset Management Section is also responsible for the maintaining and updating the Asset Register.

**21. RECONCILIATIONS**

- (a) A monthly reconciliation of the Financial System (BAS) must be undertaken to ensure that all assets purchased under either capital or current expenditure are reconciled to the asset register purchases for that month.

**22. DEPRECIATION / WEAR AND TEAR**

- 22.1 Assets must be recorded at their original purchase price, and depreciated over their above-mentioned lifespans.

**23. ASSET MAINTENANCE**

- 23.1 All departmental assets must be serviced and maintained consistent with the relevant warranties if applicable by the relevant section.

ITEM DESCRIPTION		MAINTENANCE RESPONSIBILITY
1.	SERVERS	DGITO
2.	ROUTERS	DGITO
3.	LAPTOPS	DGITO
4.	DESKTOPS	DGITO
5.	TABLETS	OFFICE SERVICES
6.	PORTABLE PRINTERS	DGITO
7.	TV SETS	OFFICE SERVICES
8.	OFFICE FURNITURE	ASSET MANAGEMENT
9.	MACHINERY	ASSET MANAGEMENT
10.	FLEET	FLEET MANAGEMENT

ITEM DESCRIPTION		MAINTENANCE RESPONSIBILITY
11.	SOFTWARE	DGITO

**24. PROCEDURE ON MOVEMENT OF ASSETS**

24.1 Movement of assets from one office to another without the involvement of Asset Management Section is strictly prohibited. In the event where a movement of an asset from one location to another is required, the responsible official whom the asset is allocated to must:

- (a) Notify Asset Management of the intention to move the asset;
- (b) Complete the asset movement form and provide the details of the assets being moved and details of the new location. Asset movement form is accessible from the Departmental website; and
- (c) The asset movement form must be signed by the end user and supervisor(s) then submitted to Asset Management before the actual movement can take place so that the asset register can be updated of the changes.

24.2 Failure to comply with the contents of this procedure on movement of assets will result in consequence management being instituted.

**25. ASSET VERIFICATION/ COUNT**

25.1 Asset count shall be performed by Asset Management Section yearly, due to the volume of the departmental assets (number of buildings occupied) as well as budgetary constraints.

25.2 Any variances identified shall be followed up and reported to the CFO.

**26. DISPOSAL OF ASSETS**

26.1 Asset Management Unit shall propose members of the Asset Disposal Committee to the CFO for a period of 24 months. The appointment of this committee shall be approved by the HOD.

**26.2 Roles and Responsibilities**

26.2.1 The Asset Management Unit

- (a) Identification and forwarding of information on obsolete, redundant and unserviceable moveable assets.
- (b) Compiling, up keeping, and updating of the database of the items to be disposed.

- (c) Comparing the remaining useful life of a moveable asset with the remaining current condition and assess whether the moveable asset will remain in service until the estimated time.
- (d) Ensuring proper management, control and safeguarding of moveable assets.
- (e) List the items to be disposed of, including values, current conditions.
- (f) Checking those assets to be disposed off do not contain material that is not intended for disposal.
- (g) Ensure proper storage of all assets that are to be disposed.
- (h) Manage collection of assets to be disposed off in Components / Directorate, Regions, and District offices to a central point.
- (i) Disposal report must be reconciled with the Asset Register.

#### 18.1.1 The Departmental Disposal Committee

- (a) The HOD must in writing appoint the Chairperson (Deputy Director level and up) and at least three (03) additional members and a secretary to serve on the Departmental Disposal Committee for a two (2) year period.
- (b) The quorum for the meeting is 50% plus one.
- (c) Departmental Disposal Committee Meetings must be held on a quarterly basis or when the need arises.
- (d) The Departmental Disposal Committee must meet to inspect the assets to determine whether they are redundant, obsolete, or unserviceable before recommending for disposal.
- (e) The Departmental Disposal Committee must recommend a method of disposal, which will be to the best advantage of the Department.
- (f) The Chairperson of the Departmental Disposal Committee must forward the recommendations for the disposal of moveable assets to the CFO for recommendations and to the HOD for approval.

#### 26.3 Common reasons for disposing off moveable assets

- 26.3.1 When the moveable assets are redundant.
- 26.3.2 When the moveable assets are obsolete i.e. technologically or operationally inefficient.
- 26.3.3 When the moveable assets are unserviceable.
- 26.3.4 Surplus to current or foreseeable needs.
- 26.3.5 When the moveable assets are transferred to another department or institution.

#### 26.4 Procedures

- 26.4.1 The disposal process comprises of the following

- (a) Assess the condition of the moveable assets.
- (b) Decide which moveable assets are to be disposed.
- (c) Estimate the market / net realisable value of the moveable asset to be disposed.

26.4.2 The following basic factors should be considered during the disposal process.

- (a) Viewing of disposal assets by committee members.
- (b) Committee meeting.
- (c) Select appropriate disposal method.
- (d) Obtain approval for the disposal process.
- (e) Prepare for disposal.
- (f) Establish conditions of disposal.
- (g) Effect the disposal.
- (h) Record the disposal proceedings.
- (i) Evaluate the disposal process
- (j) Forwarding of disposed assets information to AMU for updating of the Movable Asset Register.
- (k) Record keeping of all documentation for audit purposes.

## 26.5 Assessment of the moveable assets

26.5.1 Assessment of moveable assets must be done before any disposal process takes place. Asset Management Unit shall be accountable for its decision to dispose of the moveable assets and shall document the decision to, and the reason for the disposing of movable assets.

26.5.2 Asset Management officials are responsible for identifying the moveable assets to be disposed of. The moveable assets can be identified during spot checks, verification, and normal monitoring. Asset inventory custodians can also identify moveable assets to be disposed of. Once the moveable assets have been identified by the asset inventory custodians, the AMU must be informed, assess the asset and satisfy themselves before adding to the asset disposal list. The disposal list must be forwarded to the Disposal Committee for verification and validation during disposal meeting.

## 26.6 Methods of disposal

### 26.6.1 Donations

- (a) Must be approved by the HOD.
- (b) Must be thoroughly motivated by:
  - (i) A full description of the item:
  - (ii) The value or estimated value of the donation:

- (iii) The reason/motivation/purpose for the donation; and
- (iv) The full name and address of the person / entity to whom /which the donation is to be made.

#### 26.6.2 Sell by public auction

- (a) When this method is recommended a complete calculation of the disposal cost must be made and compared to the possible or expected proceeds so as to determine if it is financially viable to auction. If the auction proceeds, a reserve price can be put on items This excludes vehicles, as the function is within the Department of Transport's entity GFMS (Government Fleet Management Services).

#### 26.6.3 Sell through bidding process

- (a) When this method is recommended, then the legal bidding process in supply chain management must be followed.

#### 26.6.4 Bury / Scrapping

- (a) This method should be applied only when items are of such nature that they will not cause contamination in future.
- (b) Specific care and arrangements must be made in terms of the area where the items will be buried, and environmental impact must be taken into consideration.
- (c) The cost implication if any, should also be considered.

#### 26.6.5 Transfer(s)

- (a) All the moveable assets received as a donation (Transfer in) by ECCOGTA should be recorded in the moveable asset register.
- (b) The donated moveable assets will be recorded in the moveable Asset Register at the current replacement value or market value.
- (c) The AMU must allocate ECCOGTA asset number to the moveable asset and record the item on the asset register before allocating the moveable asset to the user / custodian.
- (d) For assets to be transferred by COGTA; AMU must compile a list for the approval of the HOD via a recommendation by the CFO. The receiving department must also sign the documents as per Section 42 (2) of the PFMA.
- (e) The moveable asset register must be updated by the AMU as soon as all the approval has been obtained.
- (f) A copy of the signed transfer letter of the moveable assets must be forwarded to the Provincial Treasury and AG within 14 days of the transfer as per requirements of Section 42 (3) of the PFMA.



**26.6.6 Sell to officials leaving the department:**

- (a) DGITO will identify Laptops, desktops, tablets, and portable printers that are obsolete which can be purchased by officials' subject to approval by the HOD.

**26.6.7 End of Lifespan**

- (a) At the end of the above-mentioned items' life span, it means that there is no book value, the end-user can purchase the item at 10% of the original price subject to approval by the HOD.

**26.6.8 Before the end of lifespan**

- (a) Before the end of the above-mentioned items' lifespan, it means that there is a book value. The above-mentioned items can be purchased at the book value of the item on the last day of employment subject to approval by the HOD.

**26.7 Preparing goods for disposal**

- 26.7.1 The Department should check that goods to be disposed of do not contain material that is not intended for disposal. Neglecting to check may result in legal liability and embarrassment to the Department.

**26.8 Conflict of interest**

- 26.8.1 Staff involved in disposal need to understand their responsibilities to disclose actual or perceived conflict of interest that may arise in the performance of their duties.
- 26.8.2 In the event of conflict of such interest arising, the official should recuse himself / herself from the proceedings.

**26.9 Post Disposal Review**

- 26.9.1 It is imperative to ensure that the disposal of the Department's moveable assets is not an end. Review processes should be undertaken to establish or identify causes where moveable assets are routinely not meeting the service life expectations or their estimated proceeds on disposal and to establish whether the disposal process has resulted in the desired effects. This review should also establish whether the disposal process influenced service delivery.

**26.10 The Disposal Report**

- 26.10.1 The disposal report must contain the following documents
  - (a) A management letter (covering letter) signed by all disposal members requesting the approval of the HOD through his / her signature via CFO's office for recommendation.
  - (b) A disposal certificate signed by the chairperson of the disposal committee.
  - (c) The schedules for all disposed assets.

### 26.11 The Moveable Disposal Certificate.

- (a) Names and ranks of the disposal committee members must be reflected.
- (b) Serial number commencing with 0001 on the 1<sup>st</sup> of April each financial year in question followed by the year in question, is allocated to each certificate.
- (c) The schedules of disposed items must be attached to the certificate.
- (d) The disposal committee members must decide on a suitable date for the physical disposal of the items.
- (e) To be initialled by chairperson of the disposal committee.
- (f) The confirming authority will complete the confirmation and sign it.

### 26.12 The Disposal Register

- 26.12.1 Compile a separate Moveable Disposal Register with the following information:
- (a) Date on which disposal was requested.
  - (b) Convening number starting at 0001 at beginning of each financial year.
  - (c) Date of physical inspection by the Disposal Committee.
  - (d) Date when report and certificate was submitted to the confirming authority.
  - (e) Actual date of physical disposal of item(s).
  - (f) Total amount of proceeds from disposal and receipt number and date.

## 27. DOCUMENTATION

- 27.1 All documentation pertaining to the asset register and movement of assets must be safeguarded and retained for audit purposes.
- 27.2 All documents must be accessed regularly by the Asset Manager to check information on the Asset Register and during the monthly reconciliation of the Fixed Asset Register with the Financial System (Bas/Trial Balance);
- 27.3 Each financial year's Fixed Asset forms must be archived for five financial years after the close of that financial year:
- 27.4 The monthly Financial and Asset Systems reconciliation must be filed in order of month and kept for Audit purposes and may be disposed of after five financial years; and
- 27.5 The annual Financial and Asset Systems reconciliation must be filed in order of year and kept for Audit purposes and may be disposed of after 5 financial years.

## **28. ASSET REGISTER**

- 28.1 The asset register must be maintained in the format as prescribed in the National Asset Management Framework.
- 28.2 All asset users are, in terms of PFMA Section 45, responsible for sound management of assets in their custody and to report material changes or loss to the Asset Management Section within 24 hours of such changes or loss;
- 28.3 Asset Management must regularly analyse the asset register with regards to asset lifespan, conditions and utilisation in order to develop asset strategies.
- 28.4 Physical Verification of assets against the Asset Register must be conducted annually.

## **29. CLASSIFICATION OF ASSETS**

- 29.1 Assets are classified in terms of the National Asset Management Framework of the National Treasury under major (R5000 and more) and minor assets (less than R5000) categories.
- 29.2 Tangible and intangible assets as defined in Section 4 of this policy.
- 29.3 In compliance with the requirements of Generally Recognised Accounting Practices (GRAP), the following are the categories of assets that relate to the department:
  - 29.3.1 Buildings and other fixed structures.
  - 29.3.2 Machinery and equipment.
  - 29.3.3 Other machinery and equipment.
  - 29.3.4 Software and other Intangible Assets.
  - 29.3.5 Biological Assets.

## **30. IMMOVABLE ASSETS**

- 30.1 Expenditure relating to Immovable Assets is accounted for by the department under the Immovable Assets Register and on the Financial Statements.
- 30.2 All other information relating to Immovable Assets forms part of the User Asset Management Plan (UAMP) which is maintained within Corporate Services (Office services) of the department and the UAMP is under the custodianship of Department of Roads & Public Works.

### **31. ACCOUNTING AND REPORTING**

- 31.1 All assets must be recorded at their cost at the time of acquisition. Where cost is not readily available, i.e. assets donated to the department without proper documentation; fair / market value shall be regarded as the cost.
- 31.2 Where market values are not available, estimates can be made with reference to the market value of assets with similar characteristics.
- 31.3 Departmental assets are valued and reported on in terms of the Modified Cash Standard which does not take into account the depreciation effect on assets.
- 31.4 The department does however take into account the use of assets and therefore the wear-and-tear in the form of depreciation when writing off assets in the cases of losses and determining the liability on the employee where negligence is proven. A formula based on the Straight-line Depreciation Method approved by National Treasury will be determined to calculate remaining useful life and this carrying value which will be used in these instances.
- 31.5 The monthly and quarterly reconciliation of the asset register with general ledger (BAS report) must be performed to correct misclassifications and errors associated with acquisition to accurately reflect the state of asset register.
- 31.6 Status of Asset Register must be reported on in the Interim Financial Statements and Annual Financial Statements of the department consistent with the Financial Reporting Framework of the National Treasury.
- 31.7 The Department is accountable for the physical and financial performance of the assets it controls, operates and maintains. Information about the performance and condition of an asset is critical in deciding whether to modify, refurbish, find an alternative use for, or dispose of an asset.

### **32. SAFEGUARDING OF ASSETS**

- 32.1 The departmental 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 department.
- 32.2 Every head of directorate is directly responsible for the physical safekeeping of any asset controlled or used by the directorate in question.
- 32.3 In exercising this responsibility, every head of directorate must adhere to the asset management policies and procedures with regard to the control of or safekeeping of the department's assets.

- 32.4 The responsibility for the safeguarding of assets vests with each employee to whom assets have been allocated. Items not in use are to be reported to the asset management unit so it could be redistributed to a section where it is needed through the use of asset movement form, and thereafter the asset register will be updated as such.
- 32.5 All assets used by employees shall be returned upon termination of employment, the day the employee leaves the department. The Asset Management Unit shall in consultation with Human Resources Unit develop a process through which they will ensure that no service termination takes place without knowledge of the Asset Management Unit to give effect to this requirement.

### **33. TRANSFER OF ASSETS BETWEEN DEPARTMENTS**

- 33.1 When assets are transferred from the department to another, the HOD must ensure compliance with the provision of the Section 42 of the Public Finance Management Act (PFMA).

### **34. DEPARTMENTAL LOSS CONTROL AND PROCEDURES**

Treasury Regulations 10.1.1(a) requires the department to have preventative mechanisms aimed at eliminating theft, losses, wastage and misuse of assets. This will assist in ensuring that loss control management which is intended to assist in minimizing, regulating and providing guidance when departmental assets are lost are in place.

The department is incorporating these measures into this Asset Management Policy as opposed to having a stand-alone policy on loss control.

#### **34.1 Loss and Damage of Assets**

- 34.1.1 The safeguarding of assets is the responsibility of the official in custody of that asset.
- 34.1.2 Custodian of an asset must report any loss or damage to Asset Management and to the nearest South African Police Service within 24 hours of discovery, to obtain a case number.
- 34.1.3 A detailed report should then be submitted to DGITO and Asset Management section for IT related assets.
- 34.1.4 All cases of loss, damage or theft should be handed over to Security Management section for proper investigation by obtaining all particulars and statements relating to such loss.

34.1.5 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 employee.

34.1.6 Should it be established that the loss or damage occurred is beyond the custodians' control, Security Management will inform Asset Management together with DGITO. Asset management shall update the loss control register and request approval to write off from the Head of Department. Asset Management to provide the information to Financial Accounting Services Section to disclose in the financial statements.

### **34.2 Reporting Procedure on Lost or Damaged Assets**

When a loss occurs, the custodian must report the loss to the nearest police station within 24 hours of the occurrence or detection. She/he will get a case number, then the following shall occur:

#### **34.2.1 For furniture and equipment**

- (a) The custodian shall report the incident to the Asset Management office.
- (b) Supporting documents i.e. statement and or affidavit of the responsible official must be submitted to Asset Management Unit within five (05) working days of occurrence.
- (c) Asset Management Unit must furnish copies of the Incident Report to Security Management for further investigations.

#### **34.2.2 For computer equipment**

- (a) The custodian of an asset must report any loss to the nearest South African Police Service within 24 hours of discovery, to obtain a case number.
- (b) Supporting documents i.e. case number, statement and or affidavit of the responsible official must be submitted to DGITO and Asset Management Office within five (5) working days of occurrence.
- (c) Asset Management Office must furnish clear information regarding the lost asset i.e. Date of purchase, amount, serial number and asset number to DGITO within five (05) working days. This information is obtained from the departmental fixed asset register.
- (d) DGITO will be responsible for forwarding the copies of the incident report to Security Management & Anti-corruption for further investigation.



- (e) Security Management & Anti-corruption shall submit asset loss investigation findings to DGITO and Asset Management unit.

### 34.3 Key Roles and Responsibilities

#### 34.3.1 Asset Management Office is responsible for: -

- (a) Updating and maintaining loss control register
- (b) Follow up with DGITO/Security Management & Anti-corruption on the outcomes of investigations conducted on losses.
- (c) Preparing submissions for write offs
- (d) Preparing and submitting monthly status reports to FAS

### 34.4 Recovery of Losses

Losses and damages suffered because of an act committed or omitted by an official must be recovered from the official if he or she is liable in law. The provisions of Treasury Regulations 12.7 are applicable. If liable in law, amount to be recovered shall be calculated as follows:

#### 34.4.1 For computer equipment, audio visual equipment

An official who has lost an asset and is found to be negligent will be liable to pay:

- (a) 10% of cost price at the end of the lifespan.
- (b) Book value before the end of the lifespan.

#### 34.4.2 For furniture and equipment

- (a) Assets with long life span where practically no depreciation occurs, current amount i.e., the cost price or price of similar article.
- (b) Assets that have an accepted bases of depreciation (i.e., certain percentage per annum) at depreciated value.
- (c) Stolen or damaged equipment: The replacement value of the stolen or damaged item/s is multiplied by the relevant percentage (indicate below) considering the condition of the item prior to the theft.
  - (i) New stores items not yet issued: 100% of the cost price;
  - (ii) Newly issued: 75% of the cost price. (not exceeding period of 1 year);
  - (iii) Good: 50% of the cost price;
  - (iv) Fair: 30% of the cost price; and
  - (v) Poor: 10% of the cost price.

### 34.4.3 Write Off Losses and Damages

Losses and damages sustained through vis major (natural causes) and other unavoidable causes may be written off in terms of Treasury Regulations 12.6.1. Examples are as follows:

- (a) Damages to state property as a result of natural causes e.g., hailstorms, lightning, hurricanes, floods, etc.
- (b) Fire as a result of an electrical short.
- (c) Damage to electrical/ audio visual equipment as a result of unexpected power surges and
- (d) Damage to a building to a burst water pipe which is not as a result of poor maintenance.

34.4.4 Losses or damages arising from criminal acts or omissions may be written off in terms of Treasury Regulations 12.5.2 by the Accounting Officer or in terms of delegations granted, if after thorough investigation it is found that the loss or damage is irrecoverable.

34.4.5 In addition to the above-mentioned criteria, the department will consider write-offs of losses/damages/theft/collusions in the following circumstances:

- (a) Cases which have prescribed in terms of section 11 of the Prescription Act no. 68 of 1969:
- (b) In those cases, where the debtor cannot be traced:
- (c) Losses/ damages/ theft/ collusions/ where no source documentation is available to substantiate the case, provided that the Accounting Officer or his/ her delegate has satisfied him/herself that all reasonable steps were taken to locate the source documents:
- (d) Claims by the state where the responsible person has emigrated without fully liquidating the claim, leaving no assets available which could be used to offset the claim, and the person's whereabouts are unknown:
- (e) Amounts due by employees who have left the Department, and are now destitute, provided that the Accounting Officers or his/ her delegate has satisfied himself/ herself that the former employee is in fact destitute:
- (f) Amount owed by employees is less than R5000.00, where the official is no longer employed by the State, provided that the provisions in the Prescript Act, 1969 (Act No. 68 of 1969) have been complied with where amounts owed by persons or

institutions, the probability of recovery is remote, and the possibility exists that the costs associated with recovery may exceed the loss.

### **35. IMPLEMENTATION AND REVIEW OF POLICY**

The policy will be reviewed and amended when necessary and or when new prescripts are issued by the National Treasury.

### **36. CONTRAVENTION OF POLICY**

Any deviations from this policy must be approved by the Accounting Officer and failure to comply may attract disciplinary action in terms of the departmental Human Resources Policy.

### **37. DATE OF EFFECT**

The Asset Management Policy is effective from the date of approval and must be adhered to by all employees of the Department of Cooperative Governance and Traditional Affairs - Eastern Cape.