



KZN PROVINCIAL TREASURY

ASSET MANAGEMENT

POLICY



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Annexure A - Classification of Assets



1. DEFINITIONS

In this policy, unless the context indicates otherwise:-

- (a) an expression, which denotes any gender, includes the other genders, a natural person includes a judicial person, and the singular includes the plural and vice versa;
- (b) clause headings are for convenience only and will not be used in its interpretation, and the following terminologies will bear the meaning assigned to them and cognate expressions will bear corresponding meanings

“Asset” Is a resource controlled by a department as a result of past events and from which future economic benefits or service potential are expected to flow to the department;

“Asset acquisition” The process by which a department assumes control of an asset;

“Asset disposal” The process by which a department relinquishes control of an asset;

“Asset Life Cycle” The life of an asset, from the establishment of the need, through to its acquisition, operation and any maintenance or upgrading, to its disposal;

“Asset management” The process of guiding the acquisition, use, safeguarding and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life;

“Asset register” A data source that records information on individual assets, usually only those over a certain value. Information may include the assets' location, condition, utilization and ownership details, as well as the value and depreciation of the asset and its major components;

“Asset strategy” The means by which a department proposes to manage its assets (across all phases of their life cycle) to meet service delivery needs most cost effectively;

“Asset utilization” A measure of how effectively an asset is being used to meet the department's service delivery objectives;

“Business Plan” A document that details how the strategies defined in the Strategic Plan are to be implemented, as well as the financial implications of these actions;

“Control of an asset” A department is deemed to control an asset if it:

- has the capacity to benefit from the asset in pursuing its objectives;
- is able to deny or regulate the access of others to that benefit; and
- has the ability to secure the service potential or the future economic benefit;

“Cost of an asset” The cost of an asset comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are:

- the cost of site preparation;
- initial delivery and handling costs;
- installation costs;
- professional fees such as for architects and engineers; and
- the estimated cost of dismantling the asset and restoring the site, to the extent that it is recognized as a provision;

“Costing” The process of determining the costs of operating an asset to deliver services;



“**Current asset**” An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date;

“**Demand management**” A management technique used to identify and control demand for services;

“**Depreciation**” A systematic allocation of the cost of an asset or other amount substituted for its cost in the financial statements (less residual value if any) over its estimated useful life. Depreciation recognizes the gradual exhaustion of the asset's service potential;

“**Depreciable assets**” Are assets which:

- Are expected to be used during more than one accounting period;
- Have a limited useful life; and
- Are held by a department for use in production, supply of goods and services, for rental or administrative purposes. The amount at which they are shown in the balance sheet is normally an historical record of their cost less amounts provided for depreciation. The net amount at which the assets are carried in the financial statements does not necessarily purport to be their realisable value;

“**Depreciable amount**” Is the historical cost of an asset less the estimated residual value;

“**Disposal**” The process whereby an asset is disposed of or decommissioned;

“**Effectiveness**” Refers to the extent of the achievement of set or predetermined outcomes, objectives or other intended effects of programs, operations, activities or processes;

“**Financial statements**” Statements consisting of at least:

- A balance sheet;
- An income statement;
- A cash-flow statement;
- Any other statements that may be prescribed; and
- Any notes to these statements;

“**GRAP**” Generally Recognized Accounting Practices

“**Investment**” An asset (or money outlaid to acquire an asset) that delivers, or is expected to deliver, services, and that yields, or is expected to yield, revenue for the department;

“**Lifecycle costing**” The full cost of an asset over its life. This includes all costs associated with acquiring, controlling, operating and disposing of the asset;

“**Maintenance**” The work needed to maintain an asset in a condition that enables it to reach its service potential over its useful life. Maintenance does not extend an asset's useful life and related expenditure is treated as current expenditure;

“**Needs analysis**” A thorough analysis to compare community demands, expectations and needs with current and possible sources of service supply;

“**Residual value**” The net market value or recoverable value, which is (or expected to be) realized from the disposal of an asset at the end of its life, after deducting the cost (or expected costs) of disposal;

“**Risk management**” A management technique used to identify and analyse potential risks, and to implement appropriate responses;

“**Strategic Plan**” A document or statement setting out the strategies that the department intends to follow in the medium term in order to achieve the Government's policy objectives;



“**Useful life**” Is the period over which depreciable asset is expected to be used by the department.;

“**Valuation**” The process of assigning and recording a monetary value for an asset (initially, the cost at acquisition);

“**Wholeoflife cycle approach**” Asset management across the whole life of the asset.

2. INTRODUCTION

The creation and implementation of an Asset Management Policy is an essential part of the Asset Management function in the KwaZulu-Natal Provincial Treasury. The Asset Management policy is aimed at being in line with international best practices and focuses on the four key activities of the Asset Life-Cycle approach and is therefore focused on Planning, Acquisition, Operation & Maintenance and Disposal.

This approach ensures that the long-term use or existence of assets should be regarded and taken into account before investment decisions are made. This methodology ensures that the total cost of the asset is considered before procuring and that the budget can be aligned with the need for funds at the appropriate time and intervals. The true total cost of an asset can be readily determined through the maintenance of complete and accurate asset records.

3. OBJECTIVES

The objectives of this Asset Management Policy are as follows:

- All assets are effectively and efficiently controlled, utilized, safeguarded, and managed.
- The KwaZulu-Natal Provincial Treasury Asset Management Unit and/or Asset Controllers are aware of their responsibilities with regards to Asset Management within the Department.
- The prime objectives of service delivery of the Department are achieved at the optimum level of investment.

4. SCOPE OF POLICY

This policy applies to all employees of the KwaZulu-Natal Provincial Treasury, employed in terms of the Public Service Act, 1994 and any person/s employed in a contractual capacity.

5. GOVERNING PRESCRIPTS

5.1 Public Finance Management Act, 1999 (Act 1 of 1999)

Section 38(1)(d) of the Public Finance Management Act, 1999 (Act 1 of 1999) states that “*the Accounting Officer for a department is responsible for the management, including the safeguarding and the maintenance of the assets and for the management of the liabilities.....*”

Section 45(b) and (c) of the Public Finance Management Act, 1999 (Act 1 of 1999) states that an official in a department ... “*is responsible for the effective, efficient, economical and transparent use of financial and other resources within that official’s area of responsibility;*”... and the official ... “*must take effect and appropriate steps to prevent, within that official’s area of responsibility, any unauthorized expenditure, irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue due;*”...

Section 45(e) of the Public Finance Management Act, 1999 (Act 1 of 1999) states that an official in a department ... “*is responsible for the management, including the safeguarding, of the assets and the management of the liabilities within that official’s area of responsibility.*”...



5.2 Treasury Regulations (March 2005)

Section 10.1.1 of the Treasury Regulations, 2005 states: *“The accounting officer of an institution must take full responsibility and ensure that a proper control system exists for assets and that –*

- .(a) preventative mechanisms are in place to eliminate theft, losses, wastage and misuse; and*
- .(b) stock levels are at an optimum and economical level.*

Section 10.1.2 of the Treasury Regulations, 2005 states: *“the accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.*

5.3 Provincial Treasury Practice Note 006 – Asset Management Framework

5.4 Departmental Financial Delegations of Authority

6. ROLES & RESPONSIBILITIES

Departmental Asset Management Unit:

- Responsible for the Asset Management Reform in Provincial Treasury
- Report on a monthly basis on the implementation of the Asset Management Reform to the Asset Management Unit at Provincial Treasury
- Ensure the development and implementation of project plans according to identified milestones
- Resolve problems with regard to the Asset Management Reform on a Departmental level and request assistance from Provincial Treasury where no solutions can be identified.
- Manage the Asset Team within Provincial Treasury
- Establish a conducive culture to make Asset Management Reform a success
- Continuous assessment and development of required skills for the Asset Management Teams

Role description:

Asset Managers

Asset Managers are responsible for the implementation and monitoring of Asset Management at a Departmental level. Asset Managers should create a sense of urgency regarding the reform and ensure momentum is maintained.

Systems Controller

A HardCat Syscon is required to ensure that the system is running efficiently at all times, attend to system faults and to create and control users on the system.

Assistant Asset Controllers

They are specifically appointed and are responsible for ensuring the asset movements, transfers, are accounted for and reported to the Asset Management Unit.

Responsibility / Programme managers

Responsible for the management and safeguarding of the assets within their area of responsibility. Are required to identify the asset needs in line with their programme’s strategic plan and objectives and submit inputs for the asset strategic plan.



7. STATEMENT OF THIS POLICY

The policy of the KwaZulu-Natal Provincial Treasury is that assets shall be:

- 7.1 Acquired according to needs and in accordance with planned and budgeted timetables and normal Supply Chain Management: Acquisition procedures;
- 7.2 Recorded in the asset register maintained by the Department, which shall:
 - 7.2.1 Comply with the standards set out by the National and Provincial Treasuries
 - 7.2.2 Be reconciled monthly and annually to the accounting system of the Department;
- 7.3 Valued in the asset register at the cost of the asset to the Department;
- 7.4 Recorded in the asset register irrespective of the cost of the asset to the Department;
- 7.5 Depreciated according to the standard rates of depreciation for the class of asset as laid down by the National and Provincial Treasuries;
- 7.6 Specifically allocated to custodians of the assets;
- 7.7 Checked from the asset register to the individual asset and vice versa on a regular basis but not less than once per annum
- 7.8 Evaluated to determine the condition of the asset not less than once per annum
- 7.9 Maintained by custodians of assets to ensure that they are not lost or damaged in such a way that the value of the asset is impaired;
 - 7.9.1 Custodians of assets shall immediately report the loss of, or damage to, an asset to the Chief Financial Officer of the Department;
 - 7.9.2 Where theft, loss or wilful damage to any asset occurs, the facts shall be reported to the nearest station of the South African Police Service and a case number shall be obtained and supplied to the Chief Financial Officer of the Department; section 12.5.1 of the Treasury Regulations, 2005 states: “ *When it appears that the state has suffered losses or damages through criminal acts or possible criminal acts or omissions, the matter must be reported, in writing, to the accounting officer and the South African police Service. If liability can be determined, the accounting officer must recover the value of the loss or damage from the person responsible.* ”
- 7.10 Any loss, damage or theft shall be investigated by the Loss Control and Security and Risk Management Services components of the department.
- 7.11 Disposed of or scrapped provided that the asset:
 - 7.11.1 Is no longer serviceable;
 - 7.11.2 Has reached the end of its useful life and out of warranty or guarantee;
 - 7.11.3 Has not been wilfully damaged, in which case the asset may be scrapped provided that the person responsible for the damage is identified and makes good the damage to the Department;
 - 7.11.4 Has been recommended for disposal by the Disposal Committee except in cases where:
 - (i) The disposal is done as a result of a Provincial Cabinet initiated programme
 - (ii) The disposal of vehicles on recommendation by the Provincial Department of Transport
 - 7.11.5 Is disposed of in a way that realizes the most value for the Department on its disposal;
 - 7.11.6 Continues to be recorded as an asset on the asset register of the Department but is recorded as having been disposed of and that the date of disposal and consideration received are recorded.
- 7.12 When assets or liabilities of the Department are transferred to another department or other institution in terms of legislation or following a reorganisation of functions, the Accounting Officer shall comply with Section 42 of the Public Finance Management Act.



8. Principles of Asset Management

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

The principal objective of asset management is to enable the department to meet its service delivery objectives efficiently and effectively by achieving the best possible match of assets with programme delivery strategies. This is based on a critical examination of alternatives to the use of assets.

With pressure on resources available to deliver programmes, it is important for Asset Managements to understand that asset consumption is a real and significant cost of programme delivery. The application of life-cycle costing techniques and the establishment of appropriate accountability frameworks are integral to achieving this understanding

8.1. Five Asset Management Principles

- 8.1.1 ***Service delivery needs are to guide asset practices and decisions:*** The Department is to undertake asset management activities within a strategic framework that is driven by programme and service delivery needs
- 8.1.2 ***Asset planning and management are to be integrated with strategic plans, business plans, budgetary and reporting processes:*** Planning, budgeting for, and reporting on assets are to be integrated with broader planning processes, within the department and between central and other departments.
- 8.1.3 ***Asset management decisions are to be based on evaluations of alternatives that take into account full life cycle costs, benefits and risks of assets:*** Capital expenditure decisions are to be based on rigorous and documented economic appraisals of options that include financial as well as non-financial parameters. The economic appraisals should be evaluated by a party other than the promoter of the project.
- 8.1.4 ***Ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented:*** Ownership and control of all assets are to be fully defined. Accountability and reporting requirements for both ownership and control are to be determined and clearly communicated.
- 8.1.5 ***Asset management activities are to be undertaken within an integrated Government asset management policy framework:*** The department's asset management is to be based on best practice in government and industry and on Government policy.

Effective implementation of the principles of asset management will address programme costs in terms of:

- ***reduced demand for new assets and saves money*** through demand management techniques and the adoption of 'non-asset' service delivery options;
- ***maximising the service potential*** of existing assets by ensuring they are appropriately used and maintained;
- ***lowering the overall cost of owning assets*** and achieving greater ***value for money*** through economic evaluation of options that take into account life cycle and full costs, value management techniques and private sector involvement; and
- ***ensuring a sharper focus on results*** by establishing clear ***accountability and responsibility*** for assets.

To be effective, asset management needs to be considered as a comprehensive and multi-disciplinary activity that takes into account a range of factors such as:



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- the asset life cycle and asset management principles;
 - the needs of the users of the asset;
 - the policy and legislative environment;
 - the department's corporate management and planning framework;
 - technical adequacy and commercial viability;
 - external or market factors (commercial, technological, environmental or industry implications);
 - the competing demands of stakeholders (in some instances); the need to rationalize operations to improve service delivery or to enhance cost-effectiveness (in some instances); and various techniques including value management, demand management, economic appraisal, life cycle costing and risk management. Each of these factors is discussed in terms of the processes encompassed in asset management.



9. PROCESSES OF ASSET MANAGEMENT LIFE CYCLE PHASE

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. This period covers all the phases in the life of an asset from planning, acquisition, operation & maintenance to the eventual disposal of the asset, when it can no longer contribute to the service delivery of the Department.

9.1. Planning

Planning is the essential tool for achieving service delivery objectives by means of assets. The Department's asset management plans, decisions and activities shall be fully integrated with the strategic business plans. Risk assessment and allocation must start at the planning stage. It will be necessary to continue to verify service needs throughout the planning process and it is important when estimating the useful life of an asset, its planned maintenance should also be considered during the planning stage.

9.2 Needs analysis

This is the starting point for asset management. Directorates must thoroughly examine the need for service and infrastructure provision and consider the full range of options for responding to it. This includes both non-asset and asset solutions as well as demand management strategies and the possible role of private sector providers.

9.3. Budget Planning of funding for the asset

Assets require the commitment of funding over their entire lives, which includes capital expenditure for their purchase or construction and recurrent expenditure for their ongoing maintenance and operation. The disposal value at the end of their service life must also be considered. Expenditure requirements must be covered by identified sources of funding.

9.4. Pricing the use of assets

Pricing should be based on the true cost of creating, operating, maintaining and eventually disposing of the asset, and should reflect the department's service objectives and market conditions. The true cost includes a rate of return (i.e. the opportunity cost of capital investment), the operating and maintenance expenditure and a depreciation allowance. Pricing may also be used as a way of managing demand.

9.5 Acquisition

Decisions regarding acquisition/disposal require thorough examination and economic appraisal. The options for acquiring assets include creating, purchasing or leasing (immovable assets). Seeking private sector involvement to provide assets or services required must also be considered.



9.6. Recording, valuation and reporting

9.6.1 Recording: Asset Register

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 provided by accurate recording, valuation and reporting procedures is crucial in decisions to modify, refurbish, find an alternative use for, or dispose of an asset.

The KwaZulu Natal Provincial Treasury has a significant investment in its assets and must establish methods to ensure that this investment is properly managed, controlled and recorded. To this end, the Department shall maintain a central record of fixed assets within the component Asset Management and Loss Control. This record will be known as the Asset Register and will be maintained according to an Asset Management System known as HardCat.

The Asset Register lists details such as barcode number; description of assets; location; purchase price; purchase date; custodian; depreciated amount and estimated useful life.

9.7. Valuation:

Assets are to be recorded at a specific value.

(a) *Purchases in the current financial year:*

A monthly reconciliation of the BAS & HardCat System will ensure that all assets purchased for Capital Expenditure > R5000 and Current Expenditure < R5000 are recorded on the asset register at the correct purchase price and the correct month. Monitors are recorded at a R0.00 value because they are attached with the Desktop PC, where a total value is put against the latter. Additional information is inserted on the attached section on the Hardcat system against the monitor, which will provide details (barcode) of the Desktop PC that is associated with that particular monitor.

(b) *Purchases in the previous financial years where invoices are available:*

A reconciliation of the BAS & HardCat System will ensure that all assets purchased for Capital Expenditure > R 5000 and Current Expenditure < R5000 have been identified and recorded at the correct purchase price of the asset. As the asset was purchased in the previous financial year depreciation will have to be calculated, thereby reducing the book value of the asset. The depreciation calculation is processed by the Provincial Treasury, Asset Management Unit after confirmation of reconciliation.



- (c) *Purchases in previous financial years, prior to 2004/2005 where no invoices are available:*

Where the costs involved in obtaining a value for the asset are not feasible, the asset should be recorded at R1. This applies to assets whose useful life has been exceeded, e.g. computers purchased four years ago exceed their useful life expectancy of 3 years and should be recorded at R1. Where the purchase date of the asset is unknown and where it can be established that the useful life expectancy has already been exceeded, the asset can be loaded onto the asset register with the purchase date of 31st March 2004.

The maintenance of an asset register that comprises an accurate record and valuation of assets will support effective decision making about asset utilization.

9.8. Depreciation

Asset values are generally recorded at the original purchase price (historic cost) of the asset. They may later be re-valued on some other basis. Cash accounting shows asset purchases as expenditure in the year in which payment is made. This overstates programme costs in that year as it fails to reflect that the asset is used over a number of years. Accordingly, the cost of the asset should be spread over that period. Accrual accounting, and in particular the process of depreciation, allows the actual cost of programmes to be seen, as and when an asset's service potential is consumed.

Depreciation recognizes the cost of consuming the service potential of an asset over time, and provides a means of accounting for the cost of an asset over its useful life. It must be emphasized that accounting 'depreciation' is not saving up for new assets and is only partly a reflection of the "wearing out" of assets. Other factors, such as technical obsolescence and any residual value of the asset, must also be considered.

The **straight-line method** of depreciation must be applied to the various categories of assets. This method recognizes the cost of an asset over its expected useful life.

Where the cost of the asset is recognised in "equal instalments" over its expected useful life. For example: Vehicle R100 000 assuming 20 % depreciation rate will show a depreciation charge of R20 000 each year.

Depreciation is a monthly process performed by Provincial Treasury on request once reconciliation has been completed.

9.9. Reporting

9.9.1 Accounting and Reporting

The Asset Register shall be reconciled every month with the Financial Reports obtainable from the Financial System. The expenditure reflected in the financial system report 'Payments for Capital Assets' > R5000 and 'Equipment < R 5000' must balance to the values attached to assets purchased during that month on the Asset Register. The monthly



reconciliation between the two systems shall be checked by a senior official and reported to management each month. This process will be made easier by procuring through HardCat as updating will be automatic.

Any discrepancies that are identified during the reconciliation process must be investigated and rectified, either by updating the asset register or accounting for the discrepancy on the reconciliation. All discrepancies identified during the reconciliation must be cleared before the next month's reconciliation is due.

At the end of each financial year, the expenditure reports for Purchases of capital assets > R5000 and Equipment < R 5000 needs to be drawn for the entire financial year. The corresponding report needs to be drawn from the Asset Register and the Asset Manager must then reconcile the two reports for the entire financial year. This reconciliation must be forwarded to the Chief Financial Officer.

It is the Asset Managers responsibility to report on the value of the assets, in Annual Financial Statements for the department. Given the cash basis of accounting the assets will be disclosed in the Annual Financial Statements and not recognized on the face of the balance sheet at this stage.

Other important reports that will require the Asset Managers attention during a year is reports on asset disposal and maintenance. The final figure of all assets disposed of during the year forms part of the notes to the Annual Financial Statements and accurate records should be maintained during the year. Details of how the asset was disposed off, proceeds received (if any) as a result of the disposal and all documentation obtained as a result of the disposal should be maintained for Audit purposes.

9.9.2 Management Reporting

9.9.2.1 Strategic Planning

The strategic plan of the Department as envisaged in Treasury Regulation 5.2.2 shall include:

- (a) Details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets;
- (b) Details of proposed acquisitions of financial assets or capital transfers and plans for the management of financial assets and liabilities; and
- (c) Multiyear projections of income and projected receipts from the sale of assets.

9.9.3 Monthly Progress Reporting

The Asset Management component shall submit a progress report to Provincial Treasury by the 7th of each month.



10. Restrictions in the Acquisition of Assets

- 10.1 The acquisition of an iPad and bar fridge is only eligible for officials from General Manager level up, provided that there is sufficient motivation approved by Head of Department.
- 10.2 Executive furniture, i.e: executive desk, leather highback chair, leather visitor's chairs, round table is permissible for officials from Senior Manager level up, provided that there are enough funds and sufficient motivation for such acquisitions.
- 10.3 Officials requiring special chairs due to their back problems, may acquire such chairs provided that it is supported by a doctor's certificate.

11. Maintenance of Assets

- 11.1 Assets in the following categories shall be maintained/serviced as prescribed by the manufacturer/provider.
 - a) Audio-visual equipment, computer hardware, multipurpose devices and related assets;
 - b) Domestic radio, telecommunication or fire fighting equipment and kitchen appliances
 - c) Security equipment and systems (Fixed and movable)
 - d) Office and domestic furniture;
 - e) Office equipment
- 11.2 Departmental assets still under warranty/guarantee must be serviced/repaired as prescribed by the warranty/guarantee agreement.
- 11.3 Departmental vehicles shall be serviced as prescribed by the service plan. Any other maintenance or repairs that fall outside the service plan shall be done as and when required in compliance with the Policy on State Owned Transport.
- 11.4 Damages or repairs required which are not attributable to normal wear and tear shall be dealt with in accordance with the loss control prescripts.
- 11.5 Post acquisition reviews and evaluations shall be carried out periodically to verify that required outcomes are being achieved. Asset Management Unit may develop business processes which will provide a step-by-step process for maintenance.



12. Safeguarding of assets

- 12.1 Computer related equipment such as PC's must be secured by means of security cables of which the keys will be kept in the Asset Management Unit. Individuals issued with a department laptop will be provided with a combination cable lock which should be used to secure the laptop. All other equipment that cannot be secured by a security cable must, when not in use be secured in a lockable safe or room to which access is limited.
- 12.2 Employees are individually responsible for all assets allocated to them for the performance of their official duties and must do all that is necessary to safeguard assets from theft/loss or damage. An employee who has been issued with a departmental laptop, cellular phone, and/or any related item, must at all times maintain physical control over such assets and must refrain from leaving it unsecured for any given period.
- 12.3 In cases where the personal computers have to be taken away for repairs by IT Technicians, employees have to ensure that the Form for Faulty IT Equipment is completed to ensure that the movements of the items are fully accounted for at any given point in time.
- 12.4 Faulty laptops may only be handed over to the Asset Management Unit within the Office of the Chief Financial Officer for repairs; they will, in turn, request Information Systems Unit to repair on your behalf.

13. Disposal

- 13.1 This is the final phase in the lifecycle of an asset. At this phase the asset is identified as being unserviceable, redundant or obsolete and requires to be disposed of.
- 13.2 The Chief Financial Officer shall nominate a Disposal Committee whose function it will be to make recommendations regarding the disposal of any asset within the Department except in cases in section 7.11.4 of this policy.
- 13.3 The Asset Manager may maintain an Asset Disposal Plan that will include various disposal methods.
- 13.4 When computer equipment is being disposed, Information Technology Unit should ensure that hard drives are sanitised before disposal. Cellphones must be restored on



original factory settings when they are being disposed.

- 13.5 The Asset Management Unit must, when assets are disposed of, record such disposal in the asset register.
- 13.6 No donation of departmental assets shall be made to political parties.
- 13.7 No accounting transaction should be processed in the general ledger other than the relevant revenue collected.

14. Accountability

- 14.1 For every asset acquired and recorded in the Asset Register, a custodian is appointed. This appointed custodian shall be responsible for that particular asset and a signed inventory list will be secured to the relevant location door.
- 14.2 During the annual/biannual verification of assets (stock count), the Asset manager shall physically confirm that the assets assigned to each appointed custodian is accounted for.
- 14.3 The responsible custodian shall be required to account for any missing/damaged assets.
- 14.4 The department should ensure that the relevant Loss Control policies and procedures are in place and adhered to in the case of damages, loss or theft of assets.

15. Dealing with assets when an employee's services are discontinued

- 15.1 When an employee resigns, or is dismissed or transferred, that employee must account for and return all assets and accessories allocated to him/her during the performance of his/her official duties within 7 working days to the Asset Management Unit within the Office of the Chief Financial Officer, before the last day of the employee in question
- 15.2 The general condition of all assets and accessories that have been assigned to an employee must be inspected to determine whether such assets are in good working condition. Any damages and losses not attributable to normal wear and tear must be reported to the Loss Control Officer for further investigation.



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- 15.3 All assets must be handed back to Asset Management. Any re-allocation of the assets will be handled by the Asset Management Unit.

16. Losses

- 16.1 Should an asset become missing be it through loss or theft, the appointed custodian is to immediately report the loss to the relevant Responsibility Manager in the form of a report detailing, *inter alia*, the description of the asset in question and how the loss occurred. Attached to this report a copy of a statement made to the South African Police Services (with case no) with the Determination of Liability Form and Accident Report (in cases of vehicle damages) must also be submitted.
- 16.2 The relevant Responsibility Manager will submit this information to Loss Control via the Chief Financial Officer to log the loss on the LOCO system.
- 16.3 The case will be investigated to determine whether negligence was evident in the loss, the State Attorney or the departmental Legal Services component may be consulted to determine for the interpretation on liability when required.
- 16.4 Should it be determined that the loss occurred through the custodian's negligence, the Department will ensure that recovery is instituted against the relevant custodian.
- 16.5 Should it be determined that no negligence was evident, the asset must be written off accordingly. This action is further supplemented by section 12.5.2 of the Treasury Regulations which states: *"The accounting officer may write off losses or damages arising from criminal acts or omissions if, after a thorough investigation, it is found that the loss or damage is irrecoverable."*
- 16.6 Once the Accounting Officer or his/her delegate has approved a write-off of the loss, Asset Management must amend the details in the Asset Register as enshrined in section 12.5.3 of the Treasury Regulations which states: *"When movable assets are written off, this must be noted in the asset register"* (i.e. the cost of the item will revert to R0.00 and a summary of the loss including the SAPS case no will be captured into the 'more text' area on the HardCat system).

17. Classification of Assets

Refer to the attached annexure A for details regarding Asset Classification including the "useful life in years"

18. Documentation

Through the implementation of the Asset Register, a number of standard forms have been designed. These include:

- HardCat Asset Addition Form



- HardCat Asset Transfer Form
- HardCat Disposal Form

These documents contain the minimum information required to control all aspects of the assets within the department.

The following should be noted when using any of the HardCat forms:

1. All documents used for transactions affecting the asset register must be safeguarded for Audit Purposes, i.e. Movable Asset forms for new users, transfers, additions, disposals, etc.
2. All documents will be accessed regularly by the Asset Manager to check information on the Asset Register and during the monthly reconciliation of the HardCat System with BAS.
3. Each financial year's Movable Asset forms may be archived for one financial year after the close of that financial year.
4. The monthly HardCat System and BAS reconciliation must be kept filed in monthly order and kept for Audit Purposes and may be disposed of at the end of the following financial year.
5. The annual HardCat System and BAS reconciliation must be kept filed in year order and kept for Audit purposes and may be disposed of after 5 financial years.

19. Conclusion

This Asset Management Policy is aimed to guide the KZN Treasury department into creative thinking and innovation. While every endeavor has been made to align the above processes with that of Supply Chain Management, the Department is required to keep the Supply Chain Management legislation at hand whilst establishing and applying this Asset Management Policy and its Processes.

IMPLEMENTATION DATE

This policy supersedes any previous policies and is effective from **01st January 2013**.

Signed

I.T. NDLOVU
CHIEF FINANCIAL OFFICER
DATE

Signed

APPROVED BY:
H.A.W. CONRADIE
ACCOUNTING OFFICER
DATE

Signed

RATIFIED BY:
L.S. MAGAGULA
HEAD OF DEPARTMENT
DATE



Classification of Assets

Asset Type Parent Folder Name	Asset Type Folder Name	Asset Type Name	Useful Life in years
Computer Equipment	Hardware	Back up Devices	3
		Binders	3
		CD/DVD writers	3
		Controller Cards	3
		Data Cabinets	3
		Data Projectors	3
		Desktop PC's / CPU's	3
		Docking Stations	3
		Modems	3
		Monitors	3
		Multifunctional Output Equipment	3
		Network Devices	3
		Notebooks / Laptops	3
		P Touch	3
		Plotter	3
		Pocket PC's	3
		Port Replicators	3
		Printers	3
		Racks	3
		Routers	3
		Scanners	3
		Servers	5
		Speakers	3
		Switches	3
		Tablet PC/iPad	3
		Tape Drive	3
Thin Client	3		
UPS	3		
USB Converter	3		
Wireless Devices	3		
Office Furniture & Equipment	Audio Visual Equipment	Cameras	5
		CD/DVD/VCR's	5
		TV	5
		Decoders	5
		Dictaphone	5
		Electronic Print Board	5
		Hi Fi's	5
		Microfische	5
		Projection Equipment	5
		Public Address Systems	5
		Radio Cassettes	5
		Scribers	5
		Smart Board	5
Other Sound & Lighting Equipment	5		

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		Sound Systems	5	
		Speakers	5	
		Video Vex Viewers	5	
		Voice Recorders	5	
	Office Furniture	Artwork	5	
		Beds	5	
		Benches	5	
		Boards	5	
		Book Cases	5	
		Cabinets	5	
		Chairs	5	
		Couches	5	
		Credenzas	5	
		Cupboards	5	
		Desks	5	
		Filing Units	5	
		Ladders	5	
		Lockers	5	
		Pedestals	5	
		Podiums	5	
		Racks	5	
		Safes	5	
		Steps	5	
		Shelving	5	
		Sideboards	5	
		Stands	5	
		Stools	5	
		Tables	5	
		Trolleys	5	
		Turn – o – Files	5	
		Office Equipment	Air Conditioners (non-fixed)	5
			Automatic Punches	5
	Binders		5	
	Boards		5	
	Cellular Telephones		2	
	Cutting Machines		5	
	Duplicating Machines		5	
	Electrical Heaters		5	
	Engraving Equipment		5	
	Fans (non-fixed)		5	
	Fax Machines		5	
	Franking Machines		5	
	Heaters		5	
	Labeling Equipment		5	
	Laminators		5	
	Letter Folding Machines		5	
	Microfiche Equipment		5	
	Money Counting Equipment		5	
	Paper Shredders		5	
	Photocopier Machines		5	
	Plate Makers		5	
	Tagging Equipment		5	
	Telephonic Equipment		5	
	Typewriters	5		
	Water Coolers	5		
Other Equipment,	Other Equipment	Aviation Equipment	10	

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Plant & Machinery	Plant & Machinery	Cleaning Equipment	3	
		Fire Fighting Equipment	3	
		Firearm Equipment	3	
		Garden Equipment	2	
		Housekeeping Equipment	3	
		Kitchen Equipment	5	
		Laboratory Equipment minor	5	
		Laboratory Equipment major	7	
		Laundry Equipment	10	
		Medical HTU Equipment	10	
		Medical Instrument Packs	10	
		Medical Instrument Specific Packs	10	
		Medical Equipment minor	10	
		Medical Equipment major	15	
		Motor Transport Service Equipment	5	
		Musical Equipment	10	
		Sport & Recreation Equipment	5	
		Emergency / Rescue Equipment	5	
		Road Traffic Inspectorate Equipment	5	
		Safety / Security Equipment	3	
		Stores Equipment	5	
		Survey Equipment	5	
		Workshop Equipment Fixed	5	
		Workshop Equipment Movable	3	
		Plant & Machinery	Air Compressors	5
			Alcometers	5
			Breakers Mechanical & Hydraulic	5
			Brooms Mechanical & Hydraulic	5
	Bull Dozers		10	
	Caravans		5	
	Compactors Mechanical & Hydraulic		5	
	Concrete Mixers		5	
	Cranes		10	
	Crushers Mechanical & Hydraulic		5	
	Excavators		10	
	Generators		5	
	Graders		10	
	Hammers Mechanical & Hydraulic		5	
	LDV Mechanics Vehicle		4	
	Loaders Mechanical & Hydraulic		10	
	Mowers Mechanical		5	
	Pumps		5	
	Rollers Mechanical		5	
	Saws Mechanical		5	
	Snow Ploughs		5	
Spray Units	5			
Sprayers Mechanical	5			
TLB	10			
Tractors	10			
Trailers	5			
Trucks	5			
Vibrators Mechanical	5			
Vehicles	General Vehicles	Busses Rural	10	
		Busses Urban	12	
		Double Cab's 4 x 2 Rural	4	
		Double Cab's 4 x 2 Urban	5	

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		Double Cab's 4 x 4 Rural	4
		Double Cab's 4 x 4 Urban	5
		Kombis Rural	4
		Kombis Urban	5
		Light Delivery Vehicle Rural	4
		Light Delivery Vehicle Urban	5
		Sedans Rural	4
		Sedans Urban	5
		Station Wagon Rural	4
		Station Wagon Urban	5
	Miscellaneous Vehicles	Emergency Vehicles Rural	5
		Emergency Vehicles Urban	6
		Motor Cycles Rural	4
		Motor Cycles Urban	5
		Tractors Rural	10
		Tractors Urban	12
		Trailers Rural	5
		Trailers Urban	6
		Trucks Rural	5
		Trucks Urban	6