

# NORTHERN CAPE EDUCATION DEPARTMENT

Subject	:	ASSET MANAGEMENT POLICY
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Responsible Unit	:	Supply Chain

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## FOREWORD

The Northern Cape Education Department has committed to responsible financial management as a means to achieve realistic delivery of improved services..

Asset Management is about maintaining a quality asset portfolio to ensure a quality service to the education sector in the province.

The Asset Management Policy, builds on existing asset management practices and focuses specifically on three key areas:

- Demand Management
- Acquisition Management
- Disposal Management

These asset management areas are crucial for the establishment and maintenance of an asset portfolio, which is responsive to the department's requirements.

## 1. INTRODUCTION

- 1.1 In terms of section 38(1)(d) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), the Head of department is responsible for the management, including the safeguarding and maintenance, of the Department's assets.
- 1.2 Furthermore, in terms of Treasury Regulation 10.1, the Head of department of an institution must take full responsibility and ensure that there are proper control systems for assets. Processes (whether manual or electronic) and procedures must therefore be established to ensure the effective, efficient, economical and transparent use of the Department's assets.
- 1.3 The asset management policy is formulated to provide asset management direction so as to meet these statutory obligations and to ensure efficient service delivery. It provides the foundation for all asset management activities such as planning, evaluation, acquisition, operation and the ultimate disposal of an asset.

## 2. PURPOSE

The purpose of this policy is to establish procedures that officials must follow in the management and control of the department assets, including the proper identification, accounting, safeguarding and disposal of assets.

## 3. OBJECTIVES

### 3.1 The objectives of the policy include

- 3.1.1 Emphasising the accountability of employees for the Department's resources;
- 3.1.2 Ensuring that employees have a clear and comprehensive understanding of the procedures they must follow in dealing with departmental assets;
- 3.1.3 Ensuring that resources made available to employees are utilised efficiently, effectively, economically and for authorised official purposes; and
- 3.1.4 Ensuring that the Department's assets are managed in compliance with the Public Finance Management Act, the Treasury Regulations and other relevant legislation.

#### 4. GENERAL

All capital assets acquired through the Department 's funds, as well as all capital assets donated to the Department, shall remain the property of the Northern Cape Education Department, regardless of their physical location.

An exception to this rule may exist where capital assets are purchased as part of a Private Public Partnership (PPP) contract, where service is provided to the Northern Cape Education Department, and a special condition is included that excludes the Department's ownership. Or where equipment is purchased from a conditional grant for the use of a school with the intention that it becomes part of that school's asset.

In such cases the capital asset costs will be reflected in the year of acquisition as both acquisition and disposal and shall not be capitalised for asset financial reporting purposes.

#### 5. COMMITTING OR SPENDING BUDGETED FUNDS

- 5.1 An employee of the Department may not spend or commit public money on assets except with the approval (either in writing or by duly authorised electronic means) of the Accounting Officer or a properly delegated or authorised officer.
- 5.2 Only senior managers may approve expenditure on the acquisition of departmental assets. Approval for expenditure on IT equipment shall be given on the recommendation of the Information Technology Committee (ITC). Senior managers must ensure that all transactions are supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation, and may only spend or commit public money in line with the budget vote pertaining to their directorate or chief directorate.

#### 6. ACQUISITION OF ASSETS FOR THE DEPARTMENT

- 6.1 All requests for the acquisition or procurement of assets for the Department must be made in accordance with the Supply Chain Management Policy.
- 6.2 Assets, including IT equipment, may be acquired or replaced only if all the conditions as set out below have been met. Only the Accounting Officer may approve deviation from the procedures set out below.

- 6.3 When assets are to be replaced, the request (VAS2 form), quotations and ITC form (for IT equipment) must be sent to the Supply Chain Management unit for evaluation and recommendation. The recommendation must be made in line with the National Treasury's Asset Management Guidelines and this Policy, and the evaluations must take the following into account:
- The reason for the replacement;
  - the life cycle of the replacement;
  - the technical report from ITC (for IT equipment); and,
  - the reallocation of assets.

## **7. ASSET SPECIFICATIONS**

Asset specifications must be compiled in consultation with the Specifications Committee in the Directorate: Supply Chain Management, whose responsibility is to help senior managers with the acquisition of departmental assets. Assets must be acquired in line with these specifications.

## **8. RECEIPT AND DISTRIBUTION OF DEPARTMENTAL ASSETS**

- 8.1 Departmental assets may be delivered to the office of the approved recipient or the storeroom only. The storeroom must be secure, and access to it restricted to authorised employees.
- 8.2 Only the designated employees in the Directorate: Supply Chain Management may sign for receipt of departmental assets at Head Office and designated Supply Chain Management officials at the District offices. The physical items received must comply with the original requisition/purchase order before they are accepted. The correctness, quantity and quality of the current and capital assets are confirmed by signing the delivery note.
- 8.3 Assets should as far as possible be delivered to the employee for whom they are intended on the date of receipt. The employee receiving the asset must acknowledge in writing receipt of such asset.
- 8.4 Where assets cannot be delivered to the employee concerned on the day of receipt, such assets must be secured in a storeroom.
- 8.5 The departmental bar code must be affixed to the asset on the day of delivery.

## 9. ASSET REGISTER

### Maintenance of the Asset Register and Asset Data

9.1 Officials responsible for the management of assets at Head Office and district offices will be responsible for the maintenance of the Asset Register and for ensuring the integrity of data thereon.

9.2 Asset management officials shall be responsible for maintaining all data associated with assets recorded on the Asset register, tracking, reporting and accounting for Accountable Items.

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9.3 As accounting transactions do not provide all the data needed to ensure adequate control of the Northern Cape Education Department's assets, asset management officials shall be responsible for verifying the accuracy of the following data in the Asset Register:

9.3.1 Northern Cape Education Department's Site (Head Office, District Offices and other sites).

9.3.2 Directorate, Chief User, etc.

9.3.3 Location Description (Room) where the asset is located.

9.3.4 Room number

9.3.5 Assets located within the relevant location

9.3.6 Responsible person's names, personnel number and telephone number.

9.3.7 In the case of serialised items:

- Brand Name
- Product Number
- Serial Number
- Model Number

This data shall be kept by the relevant Asset Manager for the site based on a report, generated from the asset register

9.4 All assets of the department must be recorded in the Asset Register of the Department.

9.5 All newly acquired assets must be recorded in the Asset Register on the day of delivery.

9.6 The Asset Register must be updated daily with all asset transactions. All documentation supporting the transaction must be filed.

9.7 In order to identify any erroneous allocations, the Asset Register must be reconciled with the Basic Accounting System (BAS) every month.

## **10. ACCOUNTING FOR DEPARTMENTAL ASSET EXPENDITURE IN THE STANDARD CHART OF ACCOUNTS**

- 10.1 All assets must be recorded in the Asset Register on the date of receipt.
- 10.2 All assets with a purchase price of less than R5 000 will be classified as 'minor assets'. They will be fully depreciated / written off in the year of acquisition and not over its useful life. Such assets will be accounted for under current assets in the financial statements.
- 10.3 All assets with a purchase price of R5 000 or more will be classified as 'major assets'. These assets must be recorded in the Asset Register. They will be depreciated over their useful life. Such assets will be accounted for under capital assets in the financial statements.

## **11. IDENTIFICATION AND MEASUREMENT**

### **11.1 Capitalisation criteria**

All departmental assets with a purchase price of R5 000 or more must be capitalised. However, where an asset's purchase price is less than R5 000, but its life expectancy more than a year, consideration may be given to capitalising the asset, taking the following into account:

- 11.1.1 It is probable that there will be economic benefits for the Department associated with the asset (i.e. the risks and rewards of ownership have passed to the Department);
- 11.1.2 the cost of the asset to the Department can be measured reliably; and
- 11.1.3 an asset's estimated life span is more than one year.

### **11.2 Purchase price of assets**

11.2.1 When determining the total purchase price of an asset, the following must be taken into account:

- 11.2.1.1 The cash purchase price and non-refundable VAT;
- 11.2.1.2 import duties, levies and other import charges not included in the purchase price; and
- 11.2.1.3 initial delivery and handling costs.

- 11.3 When determining the total purchase price of an asset, the following costs *must be excluded*:
- 11.3.1 Administrative and general overheads not directly attributable to acquiring the asset, e.g. telephone calls;
  - 11.3.2 start-up and pre-production costs not related to bringing the asset to its working condition;
  - 11.3.3 initial operating losses;
  - 11.3.4 training costs;
  - 11.3.5 on-site launch functions, including lunches, etc.;
  - 11.3.6 abnormal wastage and unproductive costs incurred by the Department.

**11.4 Donations of assets or assets obtained partially free of charge**

Donations of assets or assets obtained partially free of charge will be capitalised at R1 until a fair value can be determined. Assets donated to the department shall be allocated a cost, which is related to a fair market value for that item at the time of the donation. Fair market value will be based on appraisal values, the selling price of an equivalent item or information provided by the donor. Any costs incurred for the installation, transportation and freight by either the donor or the department is to be included in the asset's allocated cost.

**12. DEPRECIATION**

**12.1 General**

All departmental assets will be depreciated, and each asset with a cost that is significant in relation to the total cost of that asset will be depreciated separately.

**12.2 Depreciation methods and periods**

Departmental assets will be depreciated on a monthly basis over the estimated useful life of assets by using the straight-line method.

## **13. ASSET DISPOSAL**

### **13.1 Identification and removal of assets to be disposed of**

13.1.1 Assets to be disposed of because they have been damaged or had parts removed from them, or have reached the end of their useful life, must be identified by the user and asset managers. Assets that have been decommissioned must be removed from their location and stored in the storeroom. This must be recorded in the Asset Register.

13.1.2 Where it is not practical or cost effective to store such assets in the storeroom, other arrangements may be made, to store such assets elsewhere until they can be disposed of, taking the Department's Supply Chain Management Policy into account.

### **13.2 Authority to dispose of assets**

13.2.1 The authority for the disposal of departmental assets and the methods used to do so rest with Accounting Officer.

13.2.2 The Accounting Officer may only dispose of an asset after reasonable assurance has been obtained that such an asset has –

- 13.2.2.1 been damaged and is beyond repair or too expensive to repair;
- 13.2.2.2 had parts removed from it;
- 13.2.2.3 became obsolete; or
- 13.2.2.4 reached the end of its useful life.

### **13.3 Disposal methods and related matters**

#### **13.3.1. Disposal methods**

The following disposal methods, among others, may be applied when departmental assets are disposed of:

- 13.3.1.1 Sale by public auction or bidding process.
- 13.3.1.2 Transfer to other government entities.
- 13.3.1.3 Donation to educational and/or other institutions.
- 13.3.1.4 Monitored and controlled destruction and dumping.

13.3.2 No part of an asset may be removed from the asset and installed in another asset to enhance such asset's performance.



- 13.3.3. When necessary (e.g. when there might be a security risk for the Department), approval may be granted for the removal and destruction of a specific component/part of an asset prior to the rest of the asset being disposed of.

#### **13.4 Requesting bids from the public**

- 13.4.1 A request for bids from the public must be accompanied by the terms of offer for the specific asset or assets. The terms of an offer are the commencement date, cut-off dates and treatment of administration costs.
- 13.4.2 A reserve or minimum bidding price may be fixed.
- 13.4.3 An evaluation committee must be established to evaluate all bids. No employees of the Department may bid for any of the assets to be disposed of.

#### **13.5 Public auction**

- 13.5.1 Auctioneering services may be sourced from any qualifying company or institution in accordance with the Supply Chain Management Policy.
- 13.5.2 Where circumstances necessitate, and it is in the best interests of the Department, assets may be disposed of through the Department of Public Works.
- 13.5.3 Service fees and related expenses incurred by the service provider appointed to dispose of the assets by auction will be debited against the budget of the relevant directorate and may not be set off against the proceeds from such auctions.

#### **13.6 Specific disposal methods**

##### **13.6.1 Computer equipment and related assets**

- 13.6.1.1 In terms of Treasury Regulation 16A7.7, computer equipment and related assets should as far as possible be disposed of by transferring those assets to a state institution involved in education.

- 13.6.1.2 If no educational institution requires the equipment offered by the Department, the equipment should be disposed of by public auction or bidding process, or destroyed under observation and dumped at a public dumping site, whichever is the most advantageous to the Department.

#### **13.6.2 Furniture, fittings and related assets**

Furniture, fittings and related assets should as far as possible be sent to the Department of Public Works to be disposed of by means of a public auction or bidding process.

#### **13.6.3 Departmental vehicles**

Departmental vehicles may be disposed of at a fair value by sale to the dealer or individual who makes the highest of a minimum of three offers.

#### **13.6.4 Other assets**

Assets not listed above may be disposed of by -

- 13.6.4.1 public auction or bidding process;
- 13.6.4.2 sale or transfer to other government entities;
- 13.6.4.3 any combination of the above,
- 13.6.4.4 whichever option is the most advantageous to the Department.

#### **13.7 Demolition and dumping of assets**

Where it has been determined that the general condition of assets to be disposed of has deteriorated to such an extent that it will not be possible to obtain the required market value for them, they may be destroyed under observation and dumped at a public dumping site.

#### **13.8 Proceeds from the sale of obsolete assets**

Proceeds from the sales of obsolete assets must be paid into the National Revenue Fund and accounted for as departmental revenue.

### **13.9 Accounting for assets disposed of**

All assets disposed of will remain on the Asset Register. They will not appear on the printout of active assets, but will be reflected when a disposal report is printed.

## **14. MOVEMENT OF ASSETS WITHIN A DIRECTORATE**

- 14.1. If an asset has to be moved from one office to another within the same directorate, an approved Asset Movement Form must be completed and signed by the senior manager concerned. The Directorate: Supply Chain Management and Asset Management must approve the movement.
- 14.2. The Asset Register and the schedules behind the relevant office doors must be updated to reflect any movement.

## **15. TRANSFER OF ASSETS**

### **15.1 Transfers within the Department**

- 15.1.1 If an asset has to be transferred from one directorate to another, both directors must complete and sign an Asset Transfer Form. The Directorate: Supply Chain Management and Asset Management must approve the movement.
- 15.1.2 The Asset Register and the schedules behind the relevant office doors must be updated to reflect any movement.

### **15.2 Transfers to another department and/or entity in terms of legislation or following a reorganisation of functions**

- 15.2.1 When departmental assets are transferred to another department or institution in terms of legislation or following a reorganisation of functions, section 42 of the Public Finance Management Act will apply. (It reads as follows)

- 15.2.1.1 When assets or liabilities of a department are transferred to another department or other institution in terms of legislation or following a reorganisation of functions, the accounting officer for the transferring department must\_

- (a) draw up an inventory of such assets and liabilities; and
  - (b) provide the accounting officer for the receiving department or other institution with substantiating records, including personnel records of staff to be transferred.
- 15.2.1.2 Both the accounting officer for the transferring and the Accounting officer for the receiving department or other institution must sign the inventory when the transfer takes place.
- 15.2.1.3 The accounting officer for the transferring department must file a copy of the signed inventory with the relevant treasury and the Auditor-General within 14 days of the transfer.

15.2.2 As soon as the transfer transaction has been concluded, all assets concerned must be given an individual transfer number to identify them.

15.2.3 If an asset has been transferred to the Department from another department or entity in terms of legislation or following a reorganisation of operational functions, the acquisition of such an asset must immediately be accounted for in the Asset Register. A transfer certificate must be issued by the transferring department or entity, and must be signed by both the transferring department or entity and the Department of Education.

## **16. ASSETS LOANED TO EMPLOYEES**

Where business operations require, a senior manager may loan an asset to an employee. An Asset Loan Form must be completed for approval by the unit Asset Management and so that they can update their records.

## **17. PHYSICAL ASSET VERIFICATION**

- 17.1 To ensure control over the Department's assets, the existence and general condition of all assets must be verified on an ongoing basis.
- 17.2 There must be an annual stock take of all assets, and the results of this must be reconciled with the Asset Register.
- 17.3 The Asset Register must be updated daily and corrected where necessary.
- 17.4 Where an asset cannot be found, and has not been transferred or disposed of, or an asset has been damaged, the Loss and Disposal Committee must be informed of this in writing. It will then make a recommendation to the Chief Financial Officer.
- 17.5 Where an asset has been loaned, the existence of that asset must be confirmed during the annual verification process. The employee to whom it has been loaned must, during the verification exercise, allow the verification team access to the premises where the asset is kept to enable them to verify the existence of that asset.

## **18. IDENTIFICATION OF ASSETS (ASSET BAR CODING)**

All departmental assets must have a numbered barcode affixed to them for identification.

## **19. CUT-OFF DATES**

Asset and related transactions must completely and consistently be recorded in the appropriate accounting periods.

## **20. SAFEGUARDING OF ASSETS**

- 22.1 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 allocated to them, including:
  - keeping all electronic equipment (notebooks, laptops, cell phones, digital cameras, palmtops, memory sticks and/or related items) in a lockable cabinet when not in use, and secured at all times;
  - locking all other assets in an office when they are not in use.

- 20.2 Officials who have been issued with electronic equipment, must at all times maintain physical control over it and must refrain from leaving it unsecured at any time.
- 20.3 When electronic equipment is not being used, the employee responsible for it must secure it in a lockable cupboard to which only he/she has access.

## **21. DEALING WITH ASSETS WHEN AN EMPLOYEE LEAVES THE DEPARTMENT**

- 21.1 When an employee leaves the Department (retires, resigns, is transferred or is dismissed), that employee must account for and return to the Directorate: Security and Asset Management all assets allocated to him/her for the performance of official duties.
- 21.2. The general condition of all assets that have been assigned to an employee must be inspected by the Directorate: Security and Asset Management to determine whether such assets are in good working condition. Any damage not attributable to normal wear and tear must be reported to the Loss Control Committee for a decision and recommendation.

## **22. THEFT OR LOSS OF OR DAMAGE TO DEPARTMENTAL ASSETS**

- 22.1. When a departmental asset is lost or damaged, the employee responsible must immediately -
  - a) report the theft, loss or damage to the Directorate: Security and Asset Management in writing.
  - b) obtain the correct form from the Directorate: Security and Asset Management and fill in all the details of the theft, loss or damage.
  - c) report the matter to the SAPS and obtain a case number.
- 22.2 The amount to be recovered from an employee when that employee is liable in law will be either -
  - a) the book value of the asset as reflected in the Asset Register at the date of the theft, loss or damage; or
  - b) the cost of repairing the asset.

- 22.3 The Directorate: Security and Records Management must refer the theft, loss or damage of any asset to the Loss and Disposal Committee for a decision and recommendation. If the theft, loss or damage of the asset was not due to negligence on the part of the employee responsible, the Loss and Disposal Committee will recommend that the Accounting Officer write off the theft, loss or damage of an asset, in terms of regulation 12.6.1 of the Treasury Regulations, and/or dispose of the asset without recovering the costs from the employee. The asset will then be marked as disposed of in the Asset Register.

## 23. GIVING DEPARTMENTAL ASSETS AS DONATIONS

- 23.1 Where appropriate, the Accounting Officer may grant approval for a redundant or obsolete departmental asset to be given to an organisation as a donation, provided that the organisation requesting a donation (and/or its members) -
- a) has a good standing with the South African Revenue Service;
  - b) follows sound corporate governance practices;
  - c) is a going concern and/or registered as a charity or non-profit organisation with the relevant authorities; and
  - d) demonstrates the benefits of receiving the donation.
- 23.2 In addition, when considering requests for donations of obsolete departmental assets, the Accounting Officer must -
- a) determine that the organisation that will benefit from the donation is sound, and operates transparently and equitably;
  - b) ensure that the donation process is open, transparent and justifiable;
  - c) ensure that a real need of the organisation will be met by the donation;
  - d) ensure that the donation does not create an expectation that the recipient is to alter its dealings with the Department; and
  - e) ensure that the granting of a donation does not attempt to provide assistance for which the organisation has already applied from the Department, whether or not such application was successful.
- 23.3 Donations of departmental assets may not be made to -
- a) any charity or non-profit organisations receiving grants from national or provincial departments; or
  - b) individuals.

## **24. ACCEPTANCE OF DONATIONS OF ASSETS TO THE DEPARTMENT**

24.1 The Accounting Officer may approve the acceptance of machinery or equipment as a donation to the Department after ensuring that -

- a) the process is open, transparent and justifiable;
- b) a need of the Department will be addressed by the donation;
- c) no expectation is created that, by accepting a donation, the Department will alter its dealings with the donor; and
- d) the Government Information Technology Officer has been consulted prior to accepting any computer hardware or related assets.

24.2 Unless all of the above requirements have been met, senior managers may not accept the donation of an asset to the Department.

24.3 All assets accepted as donations must be entered in the Asset Register.

## **25. INSURANCE OF DEPARTMENTAL ASSETS**

The Department is self-insured and bears the costs of any theft or loss of or damage to departmental assets.

## **26. POLICY REVIEW**

This Policy will be reviewed whenever necessary, but at least once a year.

**APPROVED**



Head of Department

12.2.2008