

Mogalakwena Local Municipality



Asset Management Procedure Manual

1 Summary of asset management responsibilities

The table below summarises the departments, specific employee designations and structure's referred to (explicitly or implied) in the various sections

Department	Corporate Service	Budget & Treasury	All Departments	HODs	CFO	MM	Council
Budget process	✓	✓	✓	✓	✓		
Acquisition of assets	✓	✓	✓	✓		✓	
Disposal of assets	✓	✓	✓	✓	✓	✓	✓
Department Transfers	✓	✓	✓	✓			
Identification of assets	✓	✓	✓	✓			
Verification of assets	✓	✓	✓				
Safekeeping of assets				✓			
Alienation of assets	✓	✓	✓	✓	✓	✓	✓
Reporting write offs of assets	✓	✓		✓	✓		✓
Maintenance of assets	✓			✓		✓	
Replacement norms	✓		✓	✓		✓	
Insurance of assets	✓		✓			✓	
Disposal of fire arm		✓	✓				
Biological assets				✓	✓		

2 Budget process

Each Head of Department, acting in consultation with the Chief Financial Officer shall:

- Prepare an annual budget for the acquisition of assets and the maintenance of assets.
- Ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

3 Acquisition of assets

The process to be followed when assets are acquired shall be in accordance with the Council's Supply Chain Management Policy and Manual and Delegation of Authority Policies. This shall apply to all the types of Council's assets as contained in this Policy.

All assets to be purchased should be in terms of the approved budget.

Depending on the amount of the asset to be purchased and after the necessary authorisation has been obtained the following procedure for purchasing an asset must be followed:

- Requisition to be completed and signed by person requesting the asset.
- Quotations must be obtained in terms of the Supply Chain Management Policy.
- Authority in terms of Delegated Powers to Officials must be reflected on the requisition.
 - The bidding process procedures will apply in terms of the MFMA, Municipal Supply Chain Management Regulations and the Mogalakwena Local Municipality Supply Chain Management Policy.
 - The Head of Department/Municipal Manager should sign the requisition as authorisation where the asset is acquired within their delegated authority.
- Quotations must be attached to the relevant requisition and submitted to Budget and Treasury Office.
- Budget and Treasury Office: Supply Chain Management Unit must generate and issue the order.
- For all assets acquired, the Head of Department should notify the Budget and Treasury (Asset and Fleet Management Division) on delivery to provide immediate cover. It is the responsibility of the Head of Department to ensure that the purchased capital asset has been covered for insurance purposes.
- On receipt of the purchased asset, the recipient should inspect the asset and once satisfied endorse the delivery note or invoice and forward it to Budget and Treasury Office.
- The recipient should immediately inform the Divisional Manager: Asset and Fleet Management) that the asset has been delivered for the purpose of bar coding.
- The recipient's inventory list should be updated and a signed copy be kept by Budget and Treasury Office (Asset and Fleet management Division).
- The invoice should be endorsed with the bar code number before payment can be made to the supplier.

Each head of department will provide the Budget and Treasury Office with a monthly report on asset movements. The reporting must also apply to the following:

- Donations.
- Additions / Improvements (refers to immovable assets).
- Auctions / disposal.
- Loss or damage.
- Transfers.
- Impairments
- Land sales.
- Write offs

Heads of Departments

Head of Department's shall ensure:

- At all times that there are enough funds in the budget before approval of any requisitions.
- That the correct vote and descriptions are being used before authorising any requisitions.
- Any item with a value in excess of R1 (One rand), and with an estimated useful life of more than one year, shall be recorded on a fixed asset register.

4 Disposal of assets

All assets are to be disposed of in 4 ways, for example:

Asset management policy	Link to Supply Chain Management
By dumping at a tip site after approval by Head of Department concerned if the item is damaged beyond repair	(d) destroying the asset
Public tender for the disposal of property or letting of assets (including unserviceable, redundant or obsolete assets subject to section 14 and 90 of the MFMA)	(c) selling the asset
Auctioning	(c) selling the asset
Donation	(a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets (b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge

The Chief Financial Officer in conjunction with the Divisional Manager: Asset and Fleet Management should direct the disposal process.

Municipal Finance Management Act requirements for the disposal of capital assets

The ***disposal of capital assets***, in terms of section 14 of Municipal Finance Management Act (No. 56 of 2003), specify the following requirements:

1. Capital assets needed to provide the minimum level of basic municipal services may not be disposed of.
2. Capital assets (other than those mentioned in 1) may only be disposed of after the municipal council in a meeting open to the public:
 - a) Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal service, and
 - b) Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

3. Any decision made by the municipal council that the specific capital asset is not needed to provide the minimum level of basic municipal service may not be reversed by the municipality after the asset has been disposed of.
4. The municipal council may delegate its power to make the decision in 2(a) and (b) for movable capital assets to the Municipal Manager subject to limits (e.g. R5 000) prescribed by the municipal council.
5. Any transfer of ownership (disposal) must be fair, equitable, transparent, competitive and consistent with the supply chain management policy.
6. The above does not apply to transfers of capital assets to another municipality, municipal entity, national or provincial organ of state provided that the transfers are in accordance with the prescribed framework.

Disposal procedures

After the necessary authorisation has been obtained, the following procedure for disposing of an asset must be followed:

Disposal Procedure	Type of disposal
A staff member identifies the asset(s) to be disposed of (obsolete, redundant, transferred, and other).	All
Head of Department concerned approves the status of the item	All
A request to dispose of the asset and the proposed method of disposal must be sent to the Asset and Fleet Management Division	All
The Divisional manager: Asset and Fleet Management and the Disposal Committee shall inspect all redundant items and provide recommendations to the management.	Disposal of unserviceable, redundant, obsolete and damaged assets
The Budget and Treasury Office shall table the item as per the recommendations of the Divisional manager: Asset and Fleet Management and the Disposal Committee for consideration.	All
After the management meeting, a report shall be presented to the Executive Committee for recommendation and to the Council to approve all the write offs	All
An asset disposal or write off form must be filled in and properly signed by the requesting official, Head of Department, Chief Financial Officer and the Municipal Manager	All
The asset disposal form must be attached to the memorandum and forwarded to Budget and Treasury Office for processing.	All
The asset (s) should be taken to the Supply Chain Management Unit store for storage	All
When the items to be disposed of have been identified and approved by Council, a public notice in the local newspaper is made inviting applications from charity organisations and schools.	Disposal of redundant and obsolete assets. Disposal by auction or donation.
Once the approval has been received, the Budget & Treasury Office will adjust the asset register accordingly.	All

Each department must take the necessary steps to ensure that all its assets to be disposed of are brought to the attention of the Chief Financial Officer.

Land and Buildings shall be auctioned at the reserved prevailing market prices as indicated by the valuers at the time of disposal.

All computer equipment to be disposed of will be subject to scrutiny by the IT Section.

Council

The Council shall give fourteen (14) days notice in the newspaper circulating within its area. Such notice shall also be affixed to all Notice Boards at the Council's office and website.

Council may resolve to donate any of its assets to organisations / individuals and persons within its area of jurisdiction.

Disposal Committee

The Disposal Committee has been established for disposals and will be responsible for the following:

- To be a central point for all requests to dispose of assets.
- To evaluate all requests to dispose of assets.
- To prepare a memorandum to the Municipal Manager indicating the status of the item and the proposed method for disposal.
- To ensure that the asset disposal forms are signed by relevant parties (requesting official, Head of Department, Chairperson of the Disposal Committee, and the Municipal Manager)
- To prepare an item for the management meeting, thereafter to the Executive Committee and to the Council.
- The composition of the disposal committee is made up of the following officials:
 - Divisional head: Asset and Fleet Management
 - Divisional head: Buildings
 - Divisional head: IT
 - Divisional head: Licencing
 - Divisional head: Electrical Services

5 Departmental transfers of assets

The Chief Financial Officer shall approve all asset movements, which relate to the transfer of assets from one department to the other.

When a department transfers an asset or an inventory item interdepartmentally or within its department, the Asset Transfer Form (**section 5.3**) must be forwarded to the department/location receiving the asset or inventory item. A copy of this form is to be forwarded to the Budget and Treasury Office for the update of the asset register.

Where a department no longer requires the use of an asset it should be transferred to the Budget and Treasury Office for storage until it is required by another department or disposed of.

6 Resignations

At the resignation of an employee the applicable Manager or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department for their further attention. This form is a statement that the inventory and asset

items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary (refer to **section 5.4** Asset Clearance Form).

7 Identification of assets

The following applies relating to the identification of assets:

- The Municipal Manager is responsible for ensuring that the municipality maintains an asset identification system.
- The fixed asset identification system should operate in conjunction with the asset register.
- The Municipal Manager in consultation with the Chief Financial Officer and Head of Department's should prescribe the identification system.
- The identification system should comply with any legal prescriptions and recommendations of the Auditor-General, within the context of the municipality's budgetary and human resources.
- Head of Departments shall ensure that the asset identification system is scrupulously applied in respect of all assets controlled or used by the department in question.
- The Chief Financial Officer should ensure that all assets are identified according to the asset identification system.

8 Verification of assets

Departmental asset register/listing of assets

The Budget and Treasury Office must distribute to each Department Asset Controller an asset register/listing of all assets for the respective department on a quarterly basis.

Departments

The departments should:

- Perform cyclical counts on assets within their department during the year
- Perform the annual asset verification of all assets. The asset verification will be facilitated by the Budget and Treasury Office.

These counts should be coordinated by Department Asset Controller.

Budget and Treasury Office

Every head of department and where necessary his/her duly designated official shall:

- Receive from the Budget and Treasury Office a detailed "outcome report" on the assets verification exercise.
- In consultation with the Chief Financial Officer, ensure that the asset register of the Council is balanced at least annually.

Budget and Treasury Office (Asset and Fleet Management) will facilitate the annual verification of assets.

9 Safekeeping of assets

Every Head of Department shall be directly responsible for the physical safekeeping of any asset controlled or used by the department in question.

In exercising this responsibility, every Head of Department shall adhere to any written directives issued by the Municipal Manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's assets.

In addition, any visitors to a department should be accompanied by an employee of the department.

10 Alienation of assets

Every Head of Department shall report in writing to the Chief Financial officer on 28 February of each financial year on all assets controlled or used by the department concerned which such Head of Department wishes to alienate by public auction or public tender. The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The Council shall delegate to the municipal manager the authority to approve the alienation of any asset with a carrying value less than R5 000 (five thousand rand).

The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the MFMA.

Once the assets are alienated, the Chief Financial Officer shall delete the relevant records from the asset register.

If the proceeds of the alienation are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.

Transfer of assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

11 Reporting write-offs of assets

All losses should be recorded on a standard Asset Write off Form (refer to **section 5.5**) which shall be used for reporting purposes.

Loss, theft, destruction, or impairment

Every Head of Department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing (refer to **section 5.5**) to the Chief Financial Officer, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

Other write-offs

A fixed asset even though fully depreciated shall be written off only on the recommendation of the Head of Department controlling or using the asset concerned, and with the approval of the Council of the municipality.

Each Department must keep an accurate record of all asset losses and report (refer to **section 5.5**) such losses to the Chief Financial Officer.

Every head of department shall report to the Chief Financial Officer on 28 February of each financial year on any assets which such Head of Department wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all

such reports, and shall promptly submit a recommendation to the Council of the municipality on the assets to be written off.

The only reasons for writing off assets, other than the alienation of such assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such department or vote, as additional depreciation/write off expenses, the full carrying value of the asset concerned.

12 Maintenance

General maintenance

Every Head of Department shall be directly responsible for ensuring that ***all assets (other than infrastructure assets***

which are dealt with below) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

Maintenance plans

Every Head of Department shall ensure that a maintenance plan in respect of every new ***infrastructure asset*** with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council of the municipality for approval.

The Municipal Manager may direct that the maintenance plan be submitted to the Council prior to any approval for the acquisition or construction of infrastructure asset concerned.

Annual reports should be submitted by the Head of Department's (controlling or using infrastructure assets) to the Council by July each year on the progress in complying with the maintenance plan. The effect of any non-compliance on the useful operating life of the asset should also be reported.

Deferred maintenance

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the Head of Department controlling or using the asset, and shall recalculate the annual depreciation expense accordingly.

Where maintenance is deferred and results in a change in the useful operating life of the asset, then the statement on Accounting policies, changes in accounting estimates and errors (GRAP 3) should be applied.

13 Private use of municipal assets

Each department should ensure that the removal of assets from municipal premises is monitored. The standard Asset Removal Form (refer to **section 5.6** for the form to complete) should be completed and authorised by the Head of Department each time any asset is removed from municipal premises.

No municipal asset may be used for personal gain or profit.

14 Replacement norms

The Municipal Manager, in consultation with the Chief Financial Officer and other Head of Departments, shall formulate norms and standards for the replacement of all normal operational assets. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of assets which are required for service delivery but which have become uneconomical to maintain.

15 Insurance of assets

All insured assets shall be handled in consultations with Chief Financial Officer as agreed with the Insurance Brokers.

The Municipal Manager or designee should ensure that all assets are insured. The Chief Financial Officer should recommend the basis of insurance to be applied to each type of fixed asset (e.g. carrying value or replacement value).

For all assets acquired, the Head of Department should notify the Chief Financial Officer on delivery to provide immediate cover. It is the responsibility of the Head of Department to ensure that the purchased capital asset has been covered for insurance purposes before it is used by the respective department.

16 Fleet Management

The management of Fleet Assets (Council's vehicles, plant and earth moving equipment as defined by the Fleet Management Policy) shall be in terms of the "Fleet Management Policy."

17 Disposal of firearms

The procedures for the legal disposing of firearms in terms of the Firearms Control Act of 2000 are not included in this policy.