

ASSET MANAGEMENT POLICY

MSUKALIGWA MUNICIPALITY

1. INTRODUCTION

This Policy document is deemed necessary in order to facilitate the effective management, control and maintenance of the assets.

This document will be subjected to further changes.

2. AIMS / OBJECTIVES OF THE POLICY

The objectives of the Asset Management Policy is to ensure that the assets of the Msukaligwa Municipality are properly managed and accounted for by:

- (i) Ensuring the accurate recording of asset information;
- (ii) The accurate recording of asset movements;
- (iii) Exercising strict physical control over all assets (*Security, safekeeping, housekeeping*);
- (iv) Providing correct and meaningful management information in conjunction with other disciplines and functions which, inter alia, includes Insurance;
- (v) Compliance with Council's Insurance Policy and Payment Procedure;
- (vi) Effecting adequate insurance of all assets.
- (vii) Maintenance of Council's Assets.

3. DEFINITIONS

3.1.1 Assets are defined as follows:

Assets include land, buildings engineering works, machinery, equipment, vehicles, office furniture and equipment, but would exclude minor items that are generally regarded as expendable, even though their useful lives may extend beyond one year, e.g. pens, files and note pads.

3.1.2 RECOGNITION OF AN ASSET

An asset is recognized when it is probable that the future economic benefits or potential service provision will flow to Council and the asset has a cost or value that can be reliably measured.

3.2 Heads of Departments is defined as follows:

All Directors in the different directorates.

3.3 DEFINITIONS ACCORDING TO GAMAP

PROPERTY, PLANT AND EQUIPMENT are tangible assets that:

- (a) are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- (b) are expected to be used during more than one period.

INFRASTRUCTURE ASSETS are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

COMMUNITY ASSETS are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

HERITAGE ASSETS are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

INVESTMENT PROPERTIES are defined as properties that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.

OTHER ASSETS are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

DEPRECIATION is the systematic allocation of the depreciable amount of an asset over its useful life.

DEPRECIABLE AMOUNT is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

USEFUL LIFE is either:

- (a) the period of time over which an asset is expected to be used by the municipality, or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

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

RESIDUAL VALUE is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

FAIR VALUE is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

RECOVERABLE AMOUNT is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

4. RESPONSIBILITY (PHYSICAL CONTROL OF ASSETS)

The responsibility for the physical control of assets rests with the relevant directorate/department responsible for the specific asset. The Finance Department must financially substantiate the assets as per Financial Statements and participate in the process of physical control to achieve accurate and reliable asset information with regards to purchases, write-offs, transfers, donations and locations.

Although certain responsibilities have been allocated to certain levels of management, within the asset management policy, the ultimate responsibility to ensure control over each asset in terms of the policy remains with Heads of Departments.

The system, in as far as the maintenance and management of assets for all the departments / directorates shall be the same.

Each Department shall ensure that assets entrusted to it are adequately maintained and properly used.

4.1 AUTHORITY AND DELEGATED POWERS

4.1.1 Heads of Departments must approve/recommend all asset movements which relate to:

- (i) Writing-off of items (approval by the Municipal Manager).
- (ii) Transfer of items (inter departmental transfers).

4.1.2 The Director Finance and where necessary his/her duly designated official shall:

- (i) Ensure implementation of the approved Asset Management Policy;
- (ii) In consultation with the Directors verify assets in possession of the Council annually, as at 30 June of a particular financial year, within the last two months of the financial year;
- (iii) Provide the Municipal Manager with a detailed “outcome report” on the assets verification exercise;
- (iv) Keep a complete and balanced record of all assets in possession of the Council;
- (v) Report in writing all asset losses to the Council;
- (vi) Ensure that the asset register of the Council is balanced at least annually.

NB: Each Department / Directorate must keep an accurate record of all asset losses and report such losses to the Director of Finance.

5. DEPRECIATION

The straight-line method of depreciation will be used.

6. COMPOSITION OF ASSET REGISTER

The Asset Register shall contain the following categories:

6.1 CATEGORISATION OF ASSETS

The categorization of assets in the asset register will be as per the Generally Accepted Municipal Accounting Standards Guidelines:

- Infrastructure Assets
- Community Assets
- Heritage Assets
- Investment Properties
- Other Assets

Details of the assets listed with useful lives are attached as **Annexure “A1”**.

6.2 THE INVENTORY REGISTER

The purpose of this register is to record and maintain all inventory purchases and movements, with a value less than R1 000,00.

7 TYPES OF ASSETS

All types of assets will be categorized as per point 5.1 above.

8 ACQUISITION OF ASSETS

8.1 HOW ARE ASSETS ACQUIRED?

The process to be followed when assets are acquired shall be in accordance with the Council's Procurement, Delegation of Authority Policies and Payment Procedures. This shall apply to all the types of Council's assets as contained in Sections 5 and 6 of this Policy.

Depending on the amount of the asset to be purchased and after the necessary authorization 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, for example (procurement policy) must be attached to requisition;
- Order to be generated by the Finance Department : Creditors Section;
- Delivery of the asset purchased;
- Labeling/Bar coding of the item purchased;
- Arrival of invoice from the supplier;
- Endorsing of the invoice with the bar code of the asset; and
- Payment is generated.

The Finance Department will provide the Head of Departments with a monthly report on asset movements.

The reporting must also apply to the following:

- (i) Donations.
- (ii) Additions / Improvements (refers to immovable assets).
- (iii) Auctions.
- (iv) Loss or damage.
- (v) Transfers.
- (vi) Write-offs.
- (vii) Land sales.

Heads of Departments:

- (i) Shall at all times ensure that there are enough funds in the budget before approval of any requisitions.
- (ii) Shall ensure that the correct vote and description are being used before authorizing any requisitions.

9 **DISPOSAL OF ASSETS**

All assets to be disposed of by public auction.

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.

Each department / directorate must take the necessary steps to ensure that all its assets to be disposed of are brought to the attention of the Director: Finance.

The useful life of assets will be guided by the asset life as suggested by GAMAP standardized set of statements.

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

All computer equipment to be disposed of will be subject to scrutiny by the IT Manager; and

The Municipal Manager will authorize the write-off of all assets prematurely (including those assets classified as unused).

10 **DEPARTMENTAL TRANSFER OF ASSETS**

The Heads of Departments shall approve all asset movements, which relate to the transfer of assets from one department to the other (see sub-section 4.1.1) or from office to the other.

When a directorate or department transfers an asset or an inventory item interdepartmentally, the Asset Transfer Form must be forwarded to the department receiving the asset or inventory item (Annexure "A2" being the Asset Transfer Form attached). A copy of this form is to be forwarded to the finance department for the update of the asset register.

11 **WRITING OFF OF ITEMS**

All items to be written off must be approved by the Municipal Manager after recommended by the Head of Department.

12 **RESIGNATIONS**

At the resignation of an employee the applicable Director of 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 (see Annexure "A3", Asset Verification Form).

13 ROLE OF HEAD OF DEPARTMENTS

- (i) Shall ensure that employees adhere to the approved Asset Policy and Procedure.
- (ii) Shall ensure that an employee is nominated to implement and maintain asset control in his/her directorate / department.
- (iii) Shall ensure that all information needed by the Finance Department to compile and update the Asset Register, is circulated to the said Department.
- (iv) Shall ensure that the Finance Department is notified of any changes in status of the assets under the directorates / departments control.
- (v) Shall ensure that the inventory and/or asset items of the Msukaligwa Municipality are not used for private enterprise and gain by any employee.
- (vi) Shall exercise control over their assets and report any enhancement / improvement, transfer or disposal of their assets to the Finance Department.
- (vii) Shall submit relevant reports on the writing off of scrap in case of vehicles and the theft/loss of assets to the Finance Department.
- (viii) Shall follow up any discrepancies in the asset stock take report

14 VALUATION OF ASSETS

14.1 LAND AND BUILDINGS

Land and buildings shall be valued as and when the need arise.

14.2 MOTOR VEHICLES

- 14.2.1 If a vehicle is involved in an accident, such a vehicle shall be valued as required by the insurers. An assessment of the damage shall be conducted to determine the extent/value of the damage.

15 **INSURANCE OF ASSETS**

The Finance Department shall ensure that all the assets are insured.

ESTIMATED ASSET LIVES

	ASSET LIFE		ASSET LIFE
INFRASTRUCTURE ASSETS			
ELECTRICITY:		GAS:	
Power stations	30	Meters	20
Cooling towers	30	Mains	20
Transformer Kiosks	30	Storage Tanks	20
Meters	20	Supply/reticulation	20
Load Control Equipment	20	SEWERAGE:	
Switchgear Equipment	20	Sewers	20
Supply/reticulation	20	Outfall sewers	20
Mains	20	Purification works	20
ROADS:		Sewerage pumps	15
Motorways	15	Sludge machines	15
Other roads	10	PEDESTRIAN MALLS:	
Traffic islands	10	Footways	20
Traffic lights	20	Kerbing	20
Street Lighting	25	Paving	20
Overhead bridges	30	AIRPORTS:	
Stormwater drains	20	Aprons	20
Bridges, subways & culverts	30	Runways	20
Car parks	20	Taxiways	20
Bus terminals	20	Airports/Radio Beacons	20
COMMUNITY ASSETS:		RECREATIONAL	
BUILDINGS:		FACILITIES:	
Ambulance stations	30	Bowling greens	
Aquariums	30	Tennis courts	20
Beach developments	30	Swimming Pools	20
Care Centres	30	Golf courses	20
Cemeteries	30	Jukskei pitches	20
Civic theatres	30	Outdoor sports facilities	20
Clinic/Hospitals	30	Organ & Case	20
Community centers	30	Lakes and dams	20
Fire stations	30	Fountains	20
Game Reserves/Rest Camps	30	Floodlighting	20
Indoor sports	30	SECURITY MEASURES:	
Libraries	30	Fencing	
Museums/Art galleries	30	Security systems	3
Parks	30	Access control	5
Public conveniences/Bathhouses	30	WATER:	
Recreation centers	30	Meters	15
Stadiums	30	Mains	20
Zoos	30	Rights	20
OTHER ASSETS		Supply/reticulation	20
BUILDINGS:		Reservoirs & Tanks	20
Abattoirs	30	EMERGENCY EQUIPMENT:	
Asphalt plant	30	Fire	15
Cable stations	30	Ambulances	5-10
Caravan parks	30	Fire hoses	5
Cinemas	30	Emergency lights	5

Compacting stations	30	MOTOR VEHICLES:	
Hostels – Public/Tourist	30	Fire Engines	20
Hostels – Workers	30	Buses	15
Housing schemes	30	Motor vehicles	5-7
Kilns	30	Motor cycles	3
Laboratories	30	Trucks/bakkies	5-7
Markets	30	AIRCRAFT:	15
Nurseries	30	WATERCRAFT	15
Office buildings	30	PLANT & EQUIPMENT:	
Old age homes	30	Graders	10-15
Quarries	30	Tractors	10-15
Tip sites	30	Mechanical horses	10-15
Training centers	30	Farm equipment	5
Transport facilities	30	Lawnmowers	2
Workshops/depots	30	Compressors	5
OFFICE EQUIPMENT:		Laboratory equipment	5
Computer hardware	5	Radio equipment	5
Computer software	3-5	Firearms	5
Office machines	3-5	Telecommunication equipment	5
Air conditioners	5-7	General	5
FURNITURE AND FITTINGS:		Cable cars	15
Chairs	7-10	Irrigation systems	15
Tables/desks	7-10	Cremators	15
Cabinet/cupboards	7-10	Lathes	15
Miscellaneous	7-10	Milling equipment	15
BINS AND CONTAINERS:		Conveyors	15
Household refuse bins	5	Feeders	15
Bulk containers	10	Tippers	15
		Pulverising mills	15

MSUKALIGWA MUNICIPALITY
ASSET TRANSFER FORM

Transferring Department / Office:

Receiving Department / Office:

Name and Surname of the transferring Departmental Head / Office:
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Name and Surname of the receiving Departmental Head / Office:
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State Item being transferred:
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Inventory Item / Asset:
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.....
SIGNATURE

.....
DATE TRANSFERRED

TRANSFERRING H.O.D.

.....
SIGNATURE

.....
DATE TRANSFERRED

RECEIVING H.O.D.

MSUKALIGWA MUNICIPALITY
ASSET VERIFICATION/CLEARANCE FORM
(to be Signed by an official on resignation)

1. Inventory items:

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2. Movable Assets:

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NAME OF RESIGNING OFFICIAL

.....
NAME OF H.O.D.

.....
SIGNATURE OF RESIGNING OFFICIAL

.....
SIGNATURE OF H.O.D.

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DATE

.....
DATE

