



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

Limpopo Provincial Departments

Transversal Financial Policies

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INTRODUCTION

1. INTRODUCTION SECTION

1.1. INTRODUCTION

Due to lack of consistency in treating similar items within the Province, a decision was taken to develop transversal financial policies that must be applied by all Provincial Departments.

1.2. SCOPE OF APPLICATION

These policies are applicable to all departments within Limpopo Province.

1.3. REVIEW OF POLICIES

The policies will be reviewed as and when the need arise and approval of such review will be sought from EXCO.

1.4. LEGISLATIVE FRAMEWORK

This policy is established in terms of the following Statues and Policies

- 1.4.1. The Constitution of the Republic of South Africa
- 1.4.2. Public Finance Management Act, 1999 (Act No. 1 of 1999)
- 1.4.3. Treasury Regulations, 2005;
- 1.4.4. The Division of Revenue Act
- 1.4.5. PSCB Resolution Number 3 of 1999, as amended;
- 1.4.6. Public Service Act, 1994 (Proclamation R103 of 1994);
- 1.4.7. Public Service Regulations;
- 1.4.8. Public Service Circulars; and
- 1.4.9. Tariffs guidelines: Department of Transport;
- 1.4.10. Information and Communication Technology Act.
- 1.4.11. GRAP 17 Inventory Management
- 1.4.12. Practice Note on Disposal N0. 5 of 2007

All policies outlined in the policy document will be read in conjunction with the introduction section as outlined in pages 4 – 7.

These transversal financial policies supercede any existing similar departmental policies.

Any function allocated in these policies may be delegated in terms of S44 of the PFMA.

1.5 DEFINITIONS

Terminology	Description
Accounting Officer	Head of Department.
Act	Public Finance Management Act as amended.
Advance	Money paid to an official prior to undertaking the trip to cover expenses that may be incurred
Asset	Non-current asset acquired and controlled by Limpopo Provincial Government.
Asset Register	The asset database that contains all information contained in individual asset files.
Biannually	Twice a year.
Biennially	Every second year
Budget	A budget is a financial plan that provides guidance regarding the appropriation.
Budget Office	An office within the Department responsible for the consolidation, capturing, monitoring and controlling of the budget.
Budget Committee	A Committee responsible for reviewing the budget and recommending the allocation of the funds received from Provincial Treasury within the Department.
Capitalization	A process whereby expenditure is charged to an asset account rather than to an expense account.
Cash Shortage	Where the actual cash on hand is less than cash recorded per receipts
Cash Surplus	Where the actual cash on hand is more than cash recorded per receipts
Chief Financial Officer	A Chief Financial Officer is an Officer who is responsible to assist the Accounting Officer in discharging his/her financial management duties.
Cashier	A person who has been appointed by the Department to receive revenue on behalf of the department.
Checking Officer	A person who has been appointed by the department to reconcile the total cash on hand with what has been recorded and banked.
Capturer	A person appointed by the department to capture all returns into the financial system.
Claim	A lawsuit, action, interdict, arbitration, inquest, or dispute and also includes an intended lawsuit, action, interdict, arbitration, inquest or dispute
Department	A vote within the provincial government.
Depreciation	A systematic allocation of an asset over its estimated useful life.
Early payment	When an invoice/claim is paid any time before the prescribed payment period lapses (which is 30 days after receipt in the case of an invoice).
Effectiveness	Doing the right things.
Efficiency	Doing things right-maximization of outputs for any given set of inputs.
Entity	An element of Government, which is funded wholly or partly through the Revenue Fund.
Executive Manager	Member of the executive management of the department or as defined by the departmental policy.
Finance Lease	A lease that transfers risks and rewards incidental to ownership to the lessee without transferring the legal ownership until expiry of the lease term.
Gift, Donations and Sponsorship	An item or service given by or received by the department as a token of appreciation or for assistance in the delivery of the department's mandate.
Grant-in-aid	Funds paid to organisations/institutions for specific purpose.
Head Quarters	Primary place of work
Implementing Agent	Any competent institution or private company which performs certain departmental duties/functions on its behalf.
Inventory List	A list of assets drawn from the Asset Register used to assign responsibility and location.
Losses	Any loss or damages or prejudice to the State or a said person, and without derogating from or limiting the concept, also shortages, damages, fruitless or wasteful expenditure and compensations.
Movement of funds	The transfer of funds from one line item to another line item within the same Programme subject to the provisions of Treasury Regulations 6.3.
Obsolete/redundant Asset	Asset which is not useable anymore or has expired in terms of the batch number.
Official Traveler	Any officer employed by Government or any interviewee who travels on invitation of the department.
Operating Lease	An agreement that conveys the right to use an asset for an agreed payment or series of payments- i.e. a lease other than a finance lease.
Over Collection	Revenue collected over and above the targeted revenue.
Payroll	The listing of all salary payments to departmental officials that includes a certificate of authenticity

	and entitlement of such remuneration by the paymaster.
Persal	The integrated personnel and salary system currently utilised by Government for the payment of salaries.
Primary Residence	Place where official resides when executing his/her duties at head quarters.
Provincial Revenue Fund	The main account of the province which consists of all cash balances derived from Provincial Treasury's operating, investing and financing activities
Receivables	Money that is due to the department is still due to collect.
Triennially	Every third year.
Useful life	The time period over which it is expected that an asset will be used by the entity before it becomes uneconomical to do so.
Paymaster General Account	An account into which all revenues received/collected by the Department are deposited.
Pre-payment	When payment is made before receiving the goods or services.
Programme/Branch	A main division within the vote which is separately identified in the appropriation statement.
Programme Manager	An Official who is responsible for the overall activities of the Programme/Branch.
Responsibility Manager	An Official who is responsible for the overall activities of a cost centre.
Revenue	All moneys collected and received by the department which includes taxes and transfers, non tax revenue, revenue from investments and revenue from exchange transactions which include rentals, sales of goods and services, donations, gifts and sponsorship and any other revenue sources.
Revenue office	An established office that manages revenue within the office of the Chief Financial Officer of a department.
Sources of Revenue	Items through which revenue is to be generated.
Sub-Programme Manager	An Official who is responsible for a group of cost centre's.
Subsidy payments	Funds paid to organisations/institutions to subsidise their expenditure in pursuance of meeting departmentally approved objectives
Under Collection	Amount collected below the budget or target.
Unserviceable	Damaged asset or an asset which is uneconomical to repair
Virement of funds	Is the transfer of funds from one Programme to another Programme within the same vote.
Vote	One of the main sections into which an Appropriation Act is divided.

1.6 ACRONYMS

ABBREVIATION	DESCRIPTION
AO	Accounting Officer
CFO	Chief Financial Officer
DICTA	Digital Enhanced cordless Telephone
DoRA	Division of Revenue Act
DPSA	Department of Public Service Administration
GG	Government Garage
EFT	Electronic Fund Transfer
MTEF	Medium Term Expenditure Framework
PMG	Paymaster General
SLA	Service level agreement

APPROVAL OF POLICIES

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2. IMPLEMENTATION DATE

These policies come into operation with effect from date of approval.

3. AMENDMENT

These policies may be amended, in writing, by Treasury in consultation with departments as and when necessary.

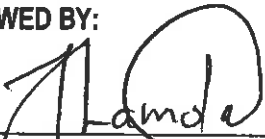
4. TERMINATION

These policies will be terminated upon the inception of new policies.

5. APPROVAL

The transversal financial policies are hereby

REVIEWED BY:



OFFICE OF THE ACCOUNTANT GENERAL
LIMPOPO PROVINCIAL TREASURY

19/11/2010
DATE

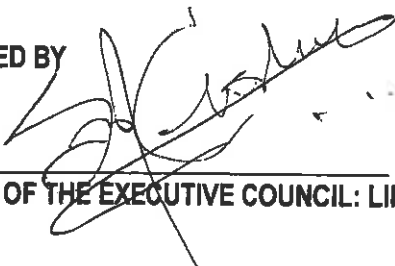
RECOMMENDED BY



HEAD OF DEPARTMENT: LIMPOPO PROVINCIAL TREASURY

19/11/2010
DATE

APPROVED BY



MEMBER OF THE EXECUTIVE COUNCIL: LIMPOPO PROVINCIAL TREASURY

19/11/2010
DATE

SECTION A

BUDGET POLICY

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1. PREAMBLE

The objective of this document is to provide a policy framework to ensure that the regulations of the Public Finance Management Act of 1999 (hereinafter referred to as "PFMA") are adhered to.

2. PURPOSE

To regulate the management, administration and control of the departmental budget, in order to ensure effective, economic and efficient management thereof, in the Province.

3. POLICY PRONOUNCEMENTS

3.1. Roles and responsibilities

- a) The department must constitute a Budget Committee and must be headed by the CFO.
- b) Sub-Programme Managers and Responsibility Managers may be invited to Budget Committee meetings.
- c) The Budget Committee is responsible for:
 - i. Ensuring that the budget is aligned to Departmental, Provincial and National priorities
 - ii. The allocation of the budget among programmes
 - iii. Identifying additional sources of funds
 - iv. Issuing any departmental circulars required to facilitate the budget process.
- d) Enforce compliance to budget circulars issued by Treasury
- e) The Budget Committee must meet at least quarterly as guided by the provincial budget process.

3.2. Gathering of information for the preparation of the budget

- a) The Budget Office must send a budget circular to the Programme-, Sub-Programme- and Responsibility Managers, requesting the Medium Term Expenditure inputs.
- b) The Programme Managers must ensure that a detailed activity based costed MTEF budget document is submitted to the Budget Office in terms of the budget circulars issued.
- c) The Budget Office must review the budget to ensure that the various Programmes are consistent with the Department's three year medium term expenditure estimates.
- d) The Budget Office must consolidate all budget inputs received from Programme managers for consideration by Budget Committee.

3.3. Approval and capturing of the budget

3.3.1. Approval of the budget

- a) The Budget Committee must review the budget to ensure that it is in line with the priorities and objectives of the Department.
- b) The reviewed budget must be submitted to the Provincial Treasury as per the budget circular in the format prescribed by Treasury.
- c) The Programme Managers must ensure that the budget is revised in accordance with the Budget Committee's adjusted allocations and send the adjusted budgets to the Budget Office.
- d) The Budget Office should review the adjustments to ensure that they are in line with the Budget Committee's allocations.
- e) The AO must approve the final budget allocation in writing after consultation with EA

3.3.2 Capturing of the budget on the financial system

- a) The approved budget must be captured into the financial system before the beginning of the financial year.
- b) The CFO must ensure that the budget has been captured correctly in the system.

3.3.3 In year monitoring and adjustment of the budget

- a) The Budget Office must compare the actual expenditure for the various Programmes to the budget on a monthly basis.
- b) Any deviations identified should be discussed and resolved with the relevant Programme Manager.
- c) The Programme / Identified Responsibility Managers must submit their monthly expenditure projections to the Budget Office not later than two days after closing of books of every month.
- d) The CFO must ensure that a monthly expenditure report as prescribed by the PFMA is prepared and submitted to Treasury.

3.4 Budget adjustment

3.4.1 Budget adjustment – Funds from Provincial Treasury

- a) The department must follow the same process as outlined under the section ***“Gathering of information for the preparation of the budget”*** for the preparation of adjustment budget.
- b) The budget must only be adjusted if the conditions specified in Section 31(2) of the PFMA are satisfied.
- c) The Budget Committee must review the Departmental priorities and plans if there is any variance between the requested funds and the allocation by Treasury.
- d) The AO must review the recommendations and approve the budget in writing after consultation EA.
- e) The Adjusted budget must be captured in the Financial System immediately after tabling by MEC of Treasury..
- f) The CFO must ensure that the adjustment budget has been captured correctly in the system.

3.4.2 Budget adjustment – Transfer of functions

- a) Any transfer of functions between votes must be done with prior approval of the Provincial Treasury at the beginning of the financial year.
- b) In the event of any transfer between votes or entities the budget impact has to be properly costed.
- c) If there is no agreement between the affected votes on the funds to be transferred the Provincial Treasury will determine the funds to be transferred.
- d) The transfer of functions to municipalities must be dealt with in terms of the DoRA and the MFMA

3.4.3 Virement and movements of funds

- a) The AO may utilize a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, subject to the requirements of treasury regulation TR6.3
- b) The amount
 - i) that may be utilized in a virement may not exceed 8 per cent of the amount appropriated under a main division of a vote and
 - ii) should not exceed 8 per cent of the amount for the receiving main division.
- c) Prior approval must be obtained from the AO for the virement of funds and where necessary, permission must be obtained from Provincial Treasury.
- d) The Programme Manager may move funds to different expenses within his/her Programme
- e) The Programme Manager may not move funds for capital projects to defray current expenditure, or increase salaries without the necessary approval from Provincial Treasury.

- f) The Accounting Officer must report virements within the stipulated time frame in terms of section 43 of the PFMA.
- g) Large adjustments must be accompanied by changes to the approved Annual Performance Plans.
- h) The virement of funds up to 8 per cent after the finalization of the Adjustment Budget appropriation process must be reflected in the annual financial statements.

3.4.3 Surrenders

- a) Unspent funds must be surrendered to Provincial Treasury after the closure of financial year.

3.4.4 Rollover of funds

- a) The Budget Office must request a report of unspent funds of the financial year from the various Programme Managers.
- b) Programme Managers must submit the unspent funds reports to the CFO detailing the following:
 - i. the purpose for which the funds were appropriated,
 - ii. the reasons why the funds were not spent,
 - iii. proposed changes to the use of the funds, if any, and
 - iv. The disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred.
- c) The Budget Office must review the unspent funds reports to ensure that funds are not rolled over for more than one financial year. The Budget Office must consolidate these reports and submit the reports to the Budget Committee
- d) The Budget Committee must review the consolidated report to ensure the correctness thereof and submit recommendations to the AO for approval.
- e) The Accounting Officer must approve the rollover of funds in writing after consultation with EA.
- f) The request on rollover of funds must be submitted to Provincial Treasury before the last working day of April in the format determined by National Treasury.
- g) The Budget Office must ensure that the following limitations are adhered to regarding the rollover of funds:
 - i. *Payments for capital assets:* unspent funds on payments for capital assets may only be rolled over to finalize projects or asset acquisitions still in progress,
 - ii. *Transfers and subsidies:* savings on transfers and subsidies may not be rolled over for purposes other than originally voted for, and
 - iii. *Current payments:* savings on compensation of employees may not be rolled over. A maximum of five per cent of a department's payments for goods and services may be rolled over.
- h) No rollovers will be considered without any proof of surrender.

3.4.5 Non Compliance to the prescripts

- a) Officials will be regarded as none complying with this budget policy when:
 - i. requested information is not submitted and late submissions,
 - ii. officials negligently submit incorrect information/reports

4. AUTHORITY

This Policy shall remain the only transversal Budget Management Policy in Limpopo Provincial Government. Provincial Departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate budget management processes within their respective **areas** of operation.

SECTION B

REVENUE MANAGEMENT POLICY

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1. PREAMBLE

The objective of this policy is to provide guidance to the Limpopo Province to address and judiciously deal with revenue management. The revenue covered in this policy includes those revenue from non-exchange transactions, (which include taxes and transfers, non tax revenue, revenue from investments), and revenue from exchange transactions (which include rentals, sales of goods and services, donations, gifts and sponsorships and any other revenue sources.)

2. PURPOSE

To regulate the management, administration and control of the departmental revenue, in order to ensure effective, economic and efficient management thereof, in the Province.

3. POLICY PRONOUNCEMENTS

3.1 SEGREGATION OF DUTIES

The Accounting Officer must ensure adequate segregation of duties in respect of revenue functions.

3.2 CASHIERS

- a) The duties of the persons responsible for the collection and receipt of state funds shall be assigned to them in writing by the Chief Financial Officer;
- b) Any person whose responsibility includes the receipt of state funds shall be responsible for the safe custody of all such funds under his/her control;
- c) All cash and cheques must be kept in a safe until such time that it is deposited into the department's bank account;
- d) The office of the person responsible for the receipt of funds shall be locked at all times when the official is not physically present in that office;
- e) If a person entrusted with the collection of state funds is relieved of his/her duties either permanently, or temporarily his/her receipts, cash books, and cash on hand should be checked and balanced and the correctness of the balances and cash on hand certified by the signatures of the person being relieved and the supervisor; and
- f) When a person is relieved the handing over certificate must be completed with the contents of any safe or cash register handed over and shall be certified by the persons mentioned above.

3.3 SUPERVISORS

- a) The supervisors of cashiers must be designated in writing by the Chief Financial Officer.
- b) The supervisor of the cashier should be at a level higher than that of a cashier.

3.4 HANDLING OF RECEIPTS, CASH AND DEPOSIT BOOKS

- a) All manual receipt, deposit and cash books must be registered in a revenue stock register.
- b) A revenue stock register must be kept for all and unused receipt, deposit and cash books.
- c) Revenue stock register at Head Office and District offices must be balanced and checked at least once a month by the relevant supervisor.
- d) The revenue stock register must indicate the quantity, sequence numbers and details of all receipts, deposits and cash books received or issued by the Head Office or District.
- e) All revenue stock (receipt books, cash books and deposit books) must be kept in a safe/strong room.
- f) All state funds received must immediately be recorded by issuing an official receipt except for monies received/deposited directly into the departmental bank account.
- g) On a weekly basis cashiers must batch all returns and submit to district office for capturing.
- h) Alterations shall not be made to the name of the payer, the amount in words, the amount in figures and the date of any official receipt and no erasures of any kind shall be permitted.

- i) If a receipt is cancelled, the word "CANCELLED" shall be endorsed by means of a rubber stamp or in bold across the face of all copies and stapled together in the receipt books and preserved for audit purposes.
- j) A cancelled manual receipt must be recorded in the manual Cash Book
- k) Under no circumstances shall more than one original receipt be issued for the same payment.
- l) Where the payer does not receive or loses the original receipt and requires evidence a certified copy of the book copy may be given.
- m) All revenue received by the department must be paid daily into the PMG account except for amounts less than R500.00 which must be banked by the last working day of the month.
- n) All monies above R500.00 collected after banking hours must be banked by the next working day.

3.5 METHODS OF PAYMENT

The following methods of payments are recognised:

- a) Cash;
- b) Bank guaranteed cheques;
- c) Postal orders;
- d) Traveller's cheque;
- e) Electronic Funds Transfer; and
- f) Credit cards and debit cards (where available).

3.6 CASH SURPLUS AND CASH SHORTAGES

- a) All surpluses must be banked and receipt for the surplus must be issued and posted to the correct allocation.
- b) Any shortage discovered must be paid in by the cashier responsible. In cases where the cashier is unable to pay the money, the money shall be recovered in full from the cashier's next month salary.

3.7 IDENTIFICATION OF NEW SOURCES OF REVENUE

- a) The Accounting officer of a department must consider new sources of revenue annually.
- b) Any new sources of revenue must be submitted to the Provincial Treasury for approval.

3.8 TARIFFS

- a) The Accounting Officer of a department must annually review all revenue tariffs from non exchange transactions and exchange transactions when finalising the budget.
- b) All departments must submit their revised tariffs to Provincial Treasury for approval by 30th June each year except those tariffs controlled by a national department or by law.

3.9 REFUNDS

- a) All refunds must be made by either cheque or EFT to the payee's bank account.
- b) Refunding amounts relating to previous financial years' revenue must after approval by the relevant supervisor be referred to Provincial Treasury for approval.
- c) A copy of the original receipt being refunded by the department must be attached to the payment advice.

3.10 REPORTING

The Chief Financial Officer shall:

- a) within 15 days of the end of each month submit the following to the Provincial Treasury and the executing authority in terms of section 40(4)(c) of the PFMA:

- i. the information in the prescribed format on actual revenue for the preceding month;
 - ii. a projection of expected revenue collection for the remainder of the current financial year; and
 - iii. where necessary an explanation of any material variances and a summary of the steps that are taken to ensure that the projected revenue remain within budget
- b) disclose information on the tariff structure in the annual report, including information on exemption, discounts, free services and any other aspect of material influence/ yield.

3.11 OUTSOURCING OF REVENUE COLLECTION

- a) If the Accounting officer intends to appoint an implementing agent for revenue collection he or she must seek approval from Provincial Treasury.
- b) After approval has been granted by Provincial Treasury for the appointment of an implementing agent the accounting officer of a department may appoint the competent implementing agent for revenue collection, and must sign a service level agreement with such agent.

4 AUTHORITY

This Policy shall remain the only transversal Revenue Management Policy in Limpopo Provincial Government. Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate revenue management processes within their respective areas of operation.

SECTION C

EXPENDITURE MANAGEMENT POLICY

- **SUBSISTENCE & TRAVEL POLICY**
- **TELECOMMUNICATION POLICY**
- **PAYMENTS POLICY**
- **PAYROLL POLICY**

SECTION C1

SUBSISTENCE AND TRAVEL POLICY

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1. PREAMBLE

The objective of this policy is:

- a) to establish a clearly defined framework for travelling and subsistence arrangements and expenditure;
- b) to provide for compensation of an official who, in the interest of the state, is on official duty away from his/her headquarters within the framework of the provisions as set out in this policy for accommodation and expenditure incurred by the official during the period of absence; and
- c) to provide for proper management of travelling arrangements, both foreign and local.

2. PURPOSE

The purpose of this policy is to-

- a) provide guidelines for expenditure on subsistence and travel ;
- b) regulate the management of local and foreign travel; and
- c) set out parameters within which the Accounting Officer may approve subsistence and travel advances.

3. POLICY PRONOUNCEMENTS

3.1. BUSINESS TRIP APPLICATION/APPROVAL

- a) All International trips should be approved in terms of the Provincial International Relations Policy and Accounting Officer must approve all Domestic trips, prior to trips being undertaken.
- b) Non SMS employees must obtain supervisors approval prior to undertaking official trips.
- c) SMS employees to submit weekly or monthly work plans to their supervisors in advance.

3.2 TRANSPORTATION

3.2.1 Air travel classes for Domestic trips

- a) The Accounting Officer may travel Business Class.
- b) All other employees will travel Economy Class only for all domestic trips.
- c) Non-employees travelling at the expense of the department must travel economy class only.
- d) The purchase of tickets that allow passengers to reschedule flights should be minimised.

3.2.2 Air travel classes for International trips

- a) The Accounting Officer may travel business Class.
- b) All other employees on international trips of more than seven (7) un-interrupted flying hours from point of departure to final destination may travel business class.
- c) Non-employees travelling at the expense of the department must travel economy class only.
- d) The purchase of tickets that allow passengers to reschedule flights should be minimised.

3.2.4 Car hire and other forms of Transportation

- a) In conjunction with air travel, employees may
 - i. use hotel shuttle services;
 - ii. utilise rental vehicles

- iii. use public transport
- iv. if from the same department, officials attending the same event may travel in the same vehicle
- v. Rental vehicles will be in terms of table 1 below.

Table 1: Class of rental vehicles

1600cc	Mid-size: Group B	For 1 to 2 officials traveling together
Any vehicle (excluding special imports)	Luxury cars: Group Q	Accounting Officer

- b) Additional drivers should be identified at the time of making the reservation.
- c) Any extra charges for special requests (special models, colours, personal indemnity insurance, chauffeurs, etc) are the sole responsibility of the travelling employee and the department will not be held responsible for such charges.
- d) Prior to any trip being undertaken, it shall remain the employee's responsibility to check and inspect the vehicle and indicate damages on the receipt forms. The department will not be held responsible and accountable for the damages to the vehicle if the employee (prior to departure) did not check the vehicle. In these cases the employee will be held liable for any damages.
- e) All employees may use any parking facility except the executive parking at the airport. The actual parking costs may be claimed from the department.
- f) Employees are liable for any and all traffic offences, departments must follow procedure for recovery (including administration fee from the rental company).

3.2.5 Refueling of hired vehicles

- a) The employees are responsible for the refueling expenses, which will be reimbursed by the department on submitting proof of expenditure.
- b) Where an advance was approved such expenditure will be offset against the advance granted.

3.2.6. Insurance of hired cars

- a) The department will bear its own damage and accident risks.
- b) The following insurance cover should, however, be accepted:
 - i. Collision Damage Waiver (CDW)
 - ii. Theft/loss Waiver (TW).
 - iii. In both these instances, the department will investigate who is liable for the excess payment arising from the claim against the Department.

3.2.7 Indemnity

- a) Section 40 of the Public Service Act, 1994, Indemnifies the department or any official of the department against claims from unofficial passengers, their spouses, parents or children or any other dependants, with regard to any loss, injuries or damage which may result from the use of Government owned motor transport.

3.2 ACCOMMODATION

3.3.1 Hotel Grading

- a) The HOD may make use of hotels/accommodation facilities with a minimum equivalent of a 3 star tourism graded facility at reasonable tariffs.
- b) All other employees may make use of hotels/accommodation facilities with a minimum equivalent to that of a 3 star tourism graded facility.
- c) Accommodation arrangements should be made through the supply chain management process
- d) Accommodation facilities should be arranged under the following conditions:
 - i. for the night before if the event or meeting starts before 09:00 and it is outside a radius of 120km single trip from the head quarters.
 - ii. for the night of the event or meeting if it ends after 16:30 and it is outside a radius of 120km single trip from the head quarters.
 - iii. If the event or meeting runs over two or more days outside a radius of 60km single trip from head quarters,

3.3.2 International Trips

- a) It is preferred that accommodation arrangements with regard to travelling abroad be done through the Department of International Relations and Liaison or a travel agency.
- b) The travel agency may also be requested to arrange traveler cheques and/or foreign currency.
- c) The department shall bear the costs of traveling documents and residential permits
- d) The department will cover additional costs in respect of excess luggage on flights to the maximum of 25% of allowed maximum weight.
- e) The department will carry all cost related to local transportation, but employees are encouraged to utilise public transport (taxis, shuttle, and trains/tube)
- f) When expenditure on accommodation is wholly met from public funds an employee is compensated on the following basis:

In the case of official visits to the countries listed in the Financial Manual (DPSA)

- i. The reasonable actual expense in respect of accommodation, dry cleaning and laundering.
- ii. A special daily allowance to compensate for the employee's three meals (breakfast, lunch and dinner) and incidental expenses.

In the case of official visits to the countries *not listed* in the Financial Manual (DPSA)

- i. The reasonable actual expense in respect of accommodation, dry cleaning and laundering
- ii. The reasonable actual costs of three meals including breakfast, lunch and dinner.
- iii. A special daily allowance equal to the special daily allowance for local official visit when actual expenses are claimed, to defray incidental expenses (reading matter, private telephone calls, soft drinks) which do not form part of meals.
- iv. When accommodation and related expenses are wholly or partially sponsored by a donor or sponsor or where the employer pays part of the meals (e.g. breakfast included in hotel accommodation expenses), the payment of a reduced special daily allowance, as amended per the DPSA financial manual must be used.

The following reduction of the special daily allowance of the following meals is as follows:

- i. Incidental expenses (15%). In order to cover all extras such as private phone calls, gratuity, room service, newspapers, non alcoholic beverages, etc. Officials should settle expenses with regard to extras on departure from hotel;
- ii. Breakfast (20%);
- iii. Lunch (20%);and

- iv. Dinner (45%).
- v. If the employee receives an allowance from the host country or sponsor, the employee may receive the difference between the allowance prescribed and the allowance received from the host country or sponsor.
- vi. The exchange rate to be applied when converting Rands into foreign currency or visa versa will be the rate on the date of receipt.

NB. *All donor funds must be registered as donations to an official and/or the Department as per the requirements the relevant legislation (Treasury Regulations and the Public Finance Management Act) and the Departmental policy on gifts, donations and sponsorship. In foreign cities, public transport must be used instead of expensive hired cars with drivers, who have to be kept on standby, especially in cities where there is a serious traffic or parking problems.*

3.4 MEDICAL ASSISTANCE

- a) The department will take out a comprehensive medical insurance for all employees undertaking international trips.
- b) The department will cover all expenditure relating to compulsory vaccination, medical examinations, for employees undertaking international trips.
- c) Should an employee die when on official trip (either local or international), the department will cover all costs relating to storage and transportation of the corpse to a suitable facility next to primary residence.

3.5 PENALTY FEES ON CHANGES AND CANCELLATIONS OF FLIGHT TICKET, HOTEL ACCOMMODATION AND CAR RENTAL

- a) In the event of any travelling arrangements being cancelled once they have been confirmed, the official concerned should compile a motivation report on the changes and seek approval for the payment of cancellation fees, if any.
- b) Should the cancellation occur on the request of the department, it will be held accountable for the cancellation fees.
- c) Should the cancellation be due to the negligence or request of the official, the official shall be held accountable for the cancellation fee.

3.6 INTERPRETER AND TRANSLATING SERVICES

- a) The department will cover all costs relating to interpreter and translating services where necessary.

3.7 FREQUENT GUEST BENEFITS

- a) All employees of the Provincial Administration may be registered as frequent guests. Each employee may utilize the benefits relating to this registration for personal use. Every traveler in possession of a hotel frequent guest card should present their card to the hotel, as Provincial Departments may be charged a lower rate, which may result in a saving for the Provincial Administration.

3.8 PERIOD OF ABSENCE

- a) The local period of absence commences at the time the employee leaves his/her headquarters, and ends at the time on return to his/her headquarters.
- b) The foreign period of absence, commences from the time when the flight leaves for the specific country and ends when the flight arrives back in South Africa. If more than one country is visited the allowance applicable to the specific country will be paid from the time of departure from the previous destination until departure from that destination or arrival in South Africa.
- c) Dates and times of departure and arrival in the respective countries must be clearly indicated by the employee embarking on the journey.

- d) The period of absence may not exceed six (6) calendar months, unless the Accounting Officer's approval is granted for the extended period.

3.9 ADVANCES

- a) Advances may only be considered in relation to international travel.
- b) Such advances must be approved by the Accounting Officer.

3.10 OFFSETTING OF CLAIMS AGAINST ADVANCES

- a) Advances must be offset against the relevant claims and in the event of a deficit or surplus between the claim and the advance; the party concerned shall, within 30 days on return from the trip, repay the difference.
- b) Where advances are outstanding for a period longer than 30 days, the outstanding amount plus interest at the prescribed National Treasury rate must be deducted from the official's salary in the first month after the debt becomes due. The official shall agree to this clause on the application form for the advance.
- c) If for some reason or another, a planned trip is cancelled the full amount must be paid back to the Department within 5 working days of such cancellation. If an official neglects to do so the amount will be deducted from his/her salary.
- d) No further advance will be awarded to an official until such time as the previous advance has been paid or fully accounted for.

3.11 ALLOWANCE AND/OR COMPENSATION FOR EXPENSES INSIDE THE REPUBLIC OF SOUTH AFRICA

3.11.1 Compensation during periods of leave

- a) If an employee is required to perform official duty of any nature while on leave or outside working hours away from his/her headquarters the subsistence and travel expenses necessarily incurred by him/her during such period on official duty may be compensated to the official by the department.

3.11.2 Compensation for actual expenses

- a) If an employee makes an official journey outside the headquarters reasonable actual expenses may be paid, on the submission of original invoices and /or receipts.

To qualify for the reimbursement of reasonable actual expenses the following conditions must be met:-

- i. For breakfast an employee must be outside of the headquarters before 06:00 and have breakfast before 10:00 limited to R40;
 - ii. For lunch the employee must be outside of the headquarters between 11:00 and have lunch before 14:30 limited R60;
 - iii. If the employee is still outside of the headquarters by 19:00 claims for dinner will be reimbursed limited to R80;
 - iv. For parking expenses, the actual expenses incurred.
- b) When attending an official meeting/function and beverages; and/or lunches; and/or dinner; are provided by the host then no S & T claim may be submitted for the refreshments and/or meals so provided.

3.11.3 Compensation for periods between 16:30 AND 6:00 the following day

- a) Refer to resolution 3/1999 paragraph 12 (PSCBC)

- i. If an employee makes an official journey outside the headquarters and is outside the headquarters between 16:30 of that day and 6:00 the following day, the official may claim either of the allowances under b) or c) below for each day, at the rates prescribed by the Department of Public Service and Administration:
- ii. a special daily allowance (where accommodation and meals are reserved and paid for by government) for incidental expenses; or
- iii. a fixed daily allowance (where private accommodation and meals are arranged and used and not paid for by government).
- iv. If parking fees are not charged to the hotel account payable by the travel agent, the official may claim **actual** parking fees incurred provided a valid document is presented for payment.

3.12 INTERVIEW COSTS

- a) Subsistence and travel costs for candidates attending interviews must be covered according to this policy.

3.13 MONTHLY PAYMENT OF TRAVEL CLAIMS

- a) Approval must be obtained prior to undertaking an official trip.
- b) All claims are to be submitted for payment within 7 working days after the relevant claim month.
- c) Claims will be calculated on Km's travelled from headquarters to official/business destination and back to headquarters.
- d) Claims outstanding for longer than 60 working days will be forfeited.

4. AUTHORITY

This Policy shall remain the only transversal Subsistence & Travel Policy in Limpopo Provincial Government. Provincial departments and entities shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate subsistence & travel **processes** within their respective areas of operation.

SECTION C2

TELECOMMUNICATION AND RELATED MATTERS POLICY

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1. PREAMBLE

Telecommunication services play a critical role in providing efficient and effective service delivery in the provincial departments. Without telecommunications infrastructure (telephones & digital enhanced cordless telephones [DICTA phones], cellular phones, and 3G cards), service delivery will be compromised.

Employees in the Provincial departments, whose work requires the use of official telecommunications services, must be provided with these tools.

2. PURPOSE

The objectives of this policy are to:

- a) Provide guidelines for the acquisition and usage of telecommunication instruments, this will include, but is not limited to, telephones, dicta phones, cellular phones, faxes and 3G cards to be used for official purposes.
- b) Provide a regulatory framework to manage the utilization of the identified telecommunication instruments.
- c) Outline application procedures to be followed by all applicants who qualify to be allocated official telecommunication facilities.

3. POLICY PRONOUNCEMENTS

3.1. QUALIFICATION FOR ALLOCATION OF COMMUNICATION INSTRUMENT

- a) Qualification for allocation of a communication instrument is not only dependant on an employee's rank or status but will also be based on the nature of their work and responsibilities, but SMS employees, by the nature of their work automatically qualify for cellular phones and 3G cards.
- b) Employees other than SMS must complete Annexure "A" when applying for allocation of a cellular phone.
- c) All employees issued with official cellular phone or receiving reimbursements on cellular phone costs are expected to be contactable/available at all reasonable times.

3.2 CELLULAR PHONES

3.2.1. Qualification for allocation of a cellular phone:

- a) Employees, who due to the nature of their work qualify for the allocation of a cellular phone, will be provided with such instrument.
- b) The approval for the use of a cellular phone as a work tool shall be granted by the Accounting Officer. Refer to Annexure "A"
- c) The department may acquire cellular phone contracts for employees or employees may acquire their own contracts.
- d) A department must choose either of the two options outlined above, subject to limits as outlined in section 3.2.6
- e) The Accounting Officer may pre-approve the usage of a private cellular phone while the employee is awaiting an official cellular phone, but subjected to the limits set in section 3.2.6
- f) Consultants, temporary employees and part time workers must provide their own cellular phones.

3.2.2. Conditions applicable to when the department secured the cellular phone and 3G contracts

- a) Upon leaving the office before the expiry of the cellular phone contract, the user will surrender the cellular phone to the Facilities Management Unit or negotiate with the Accounting officer to take over the contract and retain the cellular phone.
- b) Upon expiry of the contract the user must return the cellular phone to the department.

- c) The department will be responsible to renew the cell phone contract after the expiry of the initial contract.
- d) The department will instruct the service provider to soft lock a cellular phone once the set limit is reached.
- e) Such soft lock may only be released by the service provider with the prior approval by the Accounting Officer.
- f) The department will replace or upgrade each cellular phone after the period agreed to with the service provider. In the cases such as replacement or upgrade the official may retain the previous cellular phone.

3.2.3. International Roaming

- a) International roaming must be approved by the Accounting Officer for all international official travel.
- b) Employees who provide their own contract will be reimbursed actual cost incurred during the approved roaming period.
- c) Employees on departmental contracts must obtain approval from the Accounting Officer for temporary removal of the soft locking facility during the roaming period.

3.2.4. Contract maintenance and bills

- a) The department will pay the cost for subscription fees, itemized billing, insurance and air time costs as per limits approved for each user.

3.2.5 Miscellaneous

- a) The Accounting Officer may at her/his discretion; withdraw the approval for a cellular phone if he / she is of the opinion that the duties of the employee do not need the use of a cell phone as a tool or work facility any longer.
- b) Employees issued with official cell phones are expected to ensure the safe keeping of the cellular phone at all times.
- c) In the event where a cellular phone is lost or stolen, the following procedure should be followed:
 - i. The matter should be reported to the nearest police station within 48 hours.
 - ii. A detailed report with a police case number should be submitted to the relevant unit to communicate with the service provider to replace the lost cellular phone.
- d) If it were to be established that the cell phone was lost, stolen or damaged due to the negligence of the employee, the excess amount and other related costs will be the recovered from such a user.

3.2.6 Cellphones Limits

Employees will be allocated the following monthly limits on cellphones:

DESIGNATION	MONTHLY LIMIT
Accounting officer	Minimum R2000.00
Senior General Manager	R1500.00
General Manager	R1000.00
Senior Manager	R 800.00
Other Employees lower than SMS depending on nature of job	R 500.00

The adjustment (increase or decrease) of the above stated limits are based on the nature of the employee's work **and** is subject to the approval of the Accounting Officer. It remains the prerogative of the Accounting Officer to adjust (increase or decrease) the above stated limits for reasons deemed necessary by the Accounting Officer.

3.3. LANDLINES AND DICTAPHONES

3.3.1. Landlines limits

Employees will be allocated the following monthly limits on landline telephones:

Rank	Amount
Accounting Officer	Minimum R1000.00
Senior General Managers	R600.00
General Managers	R500.00
Senior Managers	R400.00
Managers	R300.00
Deputy Managers	R200.00
Lower Level Employees (From level 8 and below)	R100.00

The adjustment (increase or decrease) of the above stated limits are based on the nature of the employee's work **and** is subject to the approval of the Accounting Officer. It remains the prerogative of the Accounting Officer to adjust (increase or decrease) the above stated limits for reasons deemed necessary by the Accounting Officer.

3.4 3G TECHNOLOGY OR MOBILE BROADBAND TO ACCESS INTERNET AND EMAIL SERVICES FOR MOBILE USERS

3.4.1. Purpose for mobile broadband

- a) To allow mobile employees of the Provincial departments to access email and internet services through wireless communication media outside the premises of the office.

3.4.2. Qualification for allocation of mobile broadband

- a) The following will qualify for the facility:-
 - i. Accounting Officer;
 - ii. SMS and non SMS employees depending on the nature of work;

4. AUTHORITY

This Policy shall remain the only Transversal Telephone and Cellular phone policy in Limpopo Provincial Government. Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate telephone and cellular phone processes within their respective areas of operation.

APPLICATION FOR CELLULAR PHONE

Surname: _____

Name in full: _____

Designation: _____ Persal No. _____

Office: _____

Preferred Service Provider: _____

(a) Reason for need for allocation of a cellular phone

(b) The necessity that the user be available and continually be in contact with the office, supervisor and stakeholders.

(c) Why the cellular phone is considered the most economic instrument.

Signature of Applicant _____

Date: _____

I certify that it is absolutely essential and in the interest of the State that the following persons must have a cellular phone, in the strict adherence to the policy.

Name: _____ Rank: _____ Persal Number _____

I have considered the application and:-
Recommend/does not recommend the application

Comments: _____

Signature _____ : Responsible Manager: _____ Date: _____

Application: _____

Approved/not approved

ACCOUNTING OFFICER

DATE

LIMITS for 3G

DESIGNATION	DATA TRANSFER UNITS PM	MONTHLY LIMIT
Accounting Officer	Minimum 500MB	Minimum R 250.00
Senior General Manager	500MB	R 250.00
General Manager	500MB	R 250.00
Senior Manager	500MB	R 250.00
Employees other than SMS, including CDW's	500MB	R 250.00

APPLICATION FOR ACCESS TO MOBILE BROADBAND

Surname: _____

Name in full: _____

Designation _____ Persal No. _____

Office: _____

Preferred Service Provider: _____

(a) Reason for need for allocation of access to mobile broadband

(b) The necessity that the user be available and continually be in contact with the office for email and internet facilities.

(c) Why the use of mobile broadband is considered the most economic instrument.

Signature of Applicant: _____

Date: _____

I certify that it is absolutely essential and in the interest of the State that the following persons must have access to mobile broadband 3G data card, in the strict adherence to the policy.

Name: _____ Rank _____ Persal Number _____

I have considered the application and:-

Recommend/does not recommend the application

Comments: _____

Signature: _____ Responsible Manager: _____ Date: _____

Application:

Approved/not approved

SECTION C3

PAYMENT POLICY

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1. PREAMBLE

The objective of this policy is to establish an efficient system in the management of payments in the Provincial Government.

2. PURPOSE

To regulate and set the framework for making payments.

3. POLICY PRONOUNCEMENTS

3.1 Requirements in respect of payments

- a) Payments from voted moneys shall be made only in respect of –
 - i. Any authorized transfer payment;
 - ii. Services rendered to the Department or goods received by the Department;
 - iii. Amounts payable in terms of any law;
 - iv. Performance of a contractual obligation;
 - v. Execution of a judgment of a court of law;
 - vi. Authorized advance;
 - vii. Expenditure that can be met within the available funds; and
 - viii. Expenditure which strictly conforms to the purpose voted for.
- b) No payment is made before it is due unless specifically provided for in a particular contract or approved by the Accounting Officer.
- c) A progress or part payment in respect of goods delivered and services rendered must be made in terms of a contract.

3.2. Payments and payments vouchers

- a) Unless an authority specifies some other date, or from the nature of the authority it appears otherwise, the date of such authority shall be the date on which expenditure may commence or be incurred. Unless explicitly stated therein, authorities for expenditure shall not have retrospective effect.
- b) Authorities for specific payments i.e. approvals granted by the Departmental Bid Committee, unless renewed, automatically lapse on the last day of a financial year to which they refer.
- c) Authorities for recurrent services or payments due in terms of a law, regulation or contract shall be regarded as renewed by the general authority of an appropriation act.
- d) In all cases where special authority for payment is granted the relevant voucher shall contain reference to such authority.
- e) Only written approval granted in terms of the financial and procurement delegations to incur a financial liability shall be accepted.

3.3 Method of dealing with Payments and Vouchers

- a) All end users must ensure that invoices are received, certified and passed for payment immediately after the services have been received.
- b) All officials certifying claims must ensure that such claims have not previously been paid.
- c) All valid claims/invoices received, should be settled within 30 days of receipt. Monthly accounts and statements of outstanding balances shall be checked with the records of the Department and any discrepancy found, the matter shall be taken up in writing with the concerned supplier.

- d) Prior to a payment being made the person checking the voucher for payment shall certify it accordingly and ensure that the following requirements have been complied with, viz. That the claim is –
- i. a proper charge against State moneys and has not already been paid;
 - ii. in accordance with a law, regulation, tariff or agreement or that it is fair and reasonable;
 - iii. covered by necessary authority;
 - iv. correct in regard to the period covered by the claim;
 - v. correct in regard to computations;
 - vi. supported, by the necessary documents; and
 - vii. The person being referred to in the above-mentioned instruction is the authorized official to whom this task has been entrusted by delegation to check and authorize the voucher before it is sent through for payment.
 - viii. Thus, it is the responsibility within each line function where expenditure is incurred and payment in terms of delegation being authorized; to ensure that the mentioned requirements are adhered to before the account can be certified as "payable".
- e) Certificates in support of vouchers shall be given only by officials who have actual knowledge of the services or goods supplied.
- f) Cases where certificates result in irregular, unauthorized, fruitless or wasteful expenditure will be dealt with in terms of Treasury prescripts.
- g) The following shall be certified in respect of the various services and claims:

Service/Supplies	Requirement
Goods supplied	(i) that the supplies were approved and required for official purposes, (ii) that supplies were on receipt correct and in good condition; (iii) that the receipt of the supplies had been entered in the records; (iv) that the rates are in accordance with a contract or that they are otherwise fair and reasonable; and (v) that the supplier is entitled to payment.
Services rendered -	(i) that the services rendered were approved and satisfactorily carried out for official purposes, (ii) that the charges are according to the relative tariff, contract or agreement, or otherwise are fair and reasonable; and (iii) that the supplier is entitled to payment.
Subsistence and other allowances	as provided on the prescribed form and in line with the S & T policy.

- h) An initial or progress payment in terms of a contract shall not be considered an advance but shall be brought into account as a direct charge
- i) Payments for supplies or services or work done under contract shall be supported by certificates authorized by officials to the effect that such payments are in accordance with the terms of the contract and that work to the value of the amount to be paid has been properly performed.
- j) Where the services of professional consultants are used to supervise work given out on contract, a certificate that a progress payment has become due under the contract may be accepted from such consultants for the purpose of payment.
- k) All final payments upon completion of a contract shall, be supported by a certificate duly authorized by the relevant officials in the Department.
- l)
- m) Payments may only be made to claimants to whom they are due or to their duly authorized representatives. Paying officials shall satisfy themselves that the representatives concerned are duly authorized by power of attorney or other proper authority to receive such payments.
- n) If an error or overcharge is made on an invoice or claim or if such invoice or claim contains an item which is not acceptable as a charge against voted money, or if a payment voucher differs from the account submitted, the correct amount due shall be paid and the supplier or claimant notified accordingly.

- o) Where requisitions, invoices or statements comprise supporting documents to a payment voucher, sufficient detail shall be given on the voucher to ensure that the expenditure can be identified should the requisitions, invoices or statements become detached or removed.

3.4 Official order form

- a) A delegated official must appoint officials in writing to sign official order forms issued for the procurement of goods and services. Officials so appointed shall satisfy themselves that the order is according to contract or that exemption has been obtained from the Departmental Bid Committee, Treasury approval, where applicable or any other approval has been obtained and that the details are endorsed on the order form.
- b) Orders for the purchase of provisions, stores and requirements, and requisitions for the supply of services shall be placed only on the prescribed forms and such forms shall constitute an essential part of any vouchers submitted in support of payment.
- c) Where a service is rendered regularly in terms of a standing contract or where a continuing service such as the supply of water and electricity is provided by a local authority, order forms are not required. In such cases suitable departmental records shall be kept to avoid double payments.
- d) When supplies or services are urgently required and are ordered by fax, telephone etc. the order number shall be given to the supplier. The official order form shall then be forwarded to the supplier as soon as possible after the order has been placed.
- e) Where an official order has not been issued due to emergency situations, an approval from the AO should be obtained for an official order to be issued.
- f) The accounts (payment) copy of the order shall be retained in the issuing office until the supplies or services ordered are received or rendered when the necessary certificates of receipt shall be completed and the voucher submitted for acceptance and payment.

3.5 Cheques and electronic payments

- a) Accounting officers of departments must assign authority in writing to officials to approve, cheques or electronic payments.
- b) Two authorized officials must sign hand-drawn cheques in terms of the delegated authorities
- c) All payments in excess of R2 000 must be effected electronically unless otherwise approved by the provincial treasury. Payments may not be split to circumvent this requirement and any non-compliance with this regulation constitutes financial misconduct.
- d) All cheques must be crossed "NOT NEGOTIABLE" and should also preferably be crossed "NOT TRANSFERABLE" between parallel lines. The cancellation of crossings is not permitted.
- e) Electronic fund transfers shall be authorized as prescribed by the relevant financial institution and Provincial Treasury.

3.6 Requirements for the issue of replacement cheques

3.6.1 In the case of a warrant voucher or cheque not received by the payee:

- a) A written declaration must be obtained from the payee to the effect that the cheque was not received and that, should it be received at a later date, it will be returned to the Department; and
- b) It must be confirmed with the relevant bank as outstanding.
- c) An instruction to stop payment must be issued to the responsible bank within 24 hours. Once confirmation has been received that the cheque was stopped, the transaction must be reversed and a new cheque issued and accounted for.

3.6.2 In the case of LOSS or DAMAGE of a cheque

- a) The loss or damage of a cheque must be reported in writing to the Chief Financial Officer within 24 hours.
- b) When a cheque is lost or stolen before encashment, an instruction to stop payment must be issued immediately to the relevant bank. The related transaction must be reversed and a new warrant voucher or cheque issued.
- c) If a cheque is fraudulently cashed, it may not be replaced before an indemnity has been obtained.

3.7. Uncashed Cheques

- a) The monetary value of an uncashed cheque must be reversed against its original allocation after 6 months of date of issue (Stale warrant voucher).
- b) If the amount is subsequently claimed, payment must be verified (cross-referenced to the original payment) and made as prescribed.
- c) If the 6 month period stretches into the new financial year then the cheque must be surrendered as revenue. In this case, if the amount is subsequently claimed, payment must be made from revenue, after it has been verified (cross-referenced to the original payment).

3.8. Date of payment

- a) The date of payment is the date of charge, and shall be strictly observed.
- b) All payments made, shall be accounted for by the department in the financial year in which the payments were made.

3.9 Non Compliance (See budget policy)

- a) An official commits misconduct by failing to comply with payment policy.

4. AUTHORITY

This Policy shall remain the only transversal Payments Policy in Limpopo Provincial Government. Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate payment processes within their respective areas of operation.

SECTION C4

PAYROLL MANAGEMENT POLICY

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1. PREAMBLE

The objective of this policy is to guide management of payrolls to ensure that salary payments are made to legitimate government employees.

This is imperative in view of the following:

- a) the value of payroll transactions constitutes a significant portion of the departmental budget;
- b) payroll control is critical in the prevention and detection of fraud and corruption.
- c) payroll control minimises the risk of losses through irrecoverable overpaid salaries and/or supplementary payments.

2. PURPOSE

The purpose of this policy is to regulate the administration and control of payroll to ensure effective, economic and efficient management thereof, in the Provincial departments/ votes.

3. POLICY PRONOUNCEMENTS

3.1. Appointment of paymasters

- a) The accounting officer or his/ her delegate must appoint the Pay Masters in writing
- b) Paymasters must familiarize themselves with the relevant statutory requirements and departmental responsibilities
- c) The duly appointed pay masters must accept such appointment in writing.

3.2 Responsibility for the management of payroll

- a) Payroll must be distributed to paymaster five days before pay date.
- b) For all employees, the pay masters at the respective pay-points must certify that all employees listed on the payroll report are entitled to payment. .
- c) Within ten days of being certified, the payroll report must be returned to the CFO. The AO must ensure that all pay-point certificates have been received on a monthly basis.

3.3 PAYMENT METHODS

The following methods of payment may be used:

- a) All payroll payments shall be paid through electronic transfer.
- b) Payroll cheques may be issued only in the following instances:
 - i. When conducting payroll audits/ verification.
 - ii. First payment of a contract and/or temporary employees.
 - iii. Special programmes as approved by the AO

3.4 Management Reporting

- a) A monthly certificate confirming that Treasury Regulations 8.3.4 and 8.3.5 have been complied with, shall be issued by the Chief Financial Officer, to the Accounting Officer together with, any management information concerning the status of all outstanding payrolls of the Department.

4. AUTHORITY

This Policy shall remain the only Transversal Payroll Policy in Limpopo Provincial Government.
Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy.

SECTION D

ASSET MANAGEMENT POLICY

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1. PREAMBLE

- a) Section 38 (1) (d) of the Public Finance Management Act, 1999 (Act no.1 of 1999) places the responsibility on the accounting officer for financial and risk management of the departments as well as the effective and efficient use of the resources thereof. The section further tasks the accounting officer specifically, with the responsibility for the management, including the safeguarding and maintenance, of assets, and the management of liabilities.
- b) In order to give effect to this section of the act, a policy is hereby developed to ensure a transparent, effective, efficient and economic Asset Management within Limpopo Provincial Government.
- c) In the pursuit towards the attainment of service delivery objectives, resources e.g. tangible and intangible **assets** are acquired.
- d) **Assets Management** is established as the decision making process to guide the acquisition, usage, 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.
- e) Historically, the public sector did not place much emphasis on the principle of Asset Management, largely due to the system for recording income and expenditure, which accounted only for the movement of cash, which in turn lead to the misconception that use of assets once paid for was "free" or without cost.
- f) Public sector accounting is geared to encompass greater transparency and accountability towards the public at large in the utilization of public funds, thus placing responsibility for the management of the financial affairs of the state under the spotlight and raising questions regarding the effectiveness and appropriateness of systems and procedures used to manage state assets. In the private sector stringent rules apply for the accounting of funds and the disclosure of financial information in the annual financial statements.
- g) Limpopo Provincial Treasury places a strong emphasis on the physical and financial management of departmental assets across the Head Offices and Regional Administration as well as Government entities within the Province.
- h) Great emphasis is being placed on better accounting practices and procedures to ensure that state assets are managed and utilized in the most effective way to achieve the required results as defined for each entity within the public sector.
- i) This Policy does not replace any acts, regulations or prescripts by National Treasury, which are still in force in respect of Asset Management.

2. PURPOSE

- a) The purpose of this document is to provide a Provincial Policy Framework for the effective and efficient management of non-current assets within Limpopo Provincial Government; and to serve as a reference and an aid in the management of non-current assets.
- b) The Policy prescribes to provincial departments focal areas to be taken into consideration in the formulation of their respective Procedures Manuals for the regulation of an efficient, effective and economic Asset Management.
- c) The Policy ensures that the accounting treatment of Non-Current Assets complies with relevant accounting standards

3. POLICY PRONOUNCEMENTS

3.1 ASSET MANAGEMENT PROCESS

3.1.1 Asset Management is the process of guiding all the key asset management activities undertaken to make the most of asset service delivery potential and the management of the related risks and costs over the entire asset life cycle.

3.1.2 It embraces the following inter-related processes or phases:

- a) Planning and Budgeting;
- b) Acquisition;
- c) Asset Identification;

- d) Transfers;
- e) Accountability;
- f) Operation and Maintenance;
- g) Disposal and
- h) Accounting

3.1.2 Each department shall annually draw a plan for each of the Asset Management process.

3.2 PLANNING

3.2.1 Asset Planning shall be informed by the principle that a public institution shall not hold **assets** unless it is reasonably necessary for the economical, effective and efficient delivery of services.

3.2.2 Asset Planning shall be the process through which the asset requirements of a department are matched to its service delivery requirements.

3.2.3 The Asset Planning Framework model to be undertaken and adopted by departments for an integrated Asset Management Strategy shall be the following process:

- a) Determination of Asset Needs
- b) Evaluation of Existing assets
- c) Development of the Asset Management Strategy; and
- d) Capital Funding and Budgeting.

3.2.4 The department or institution must prepare the Annual Asset Plan incorporating inputs from the end-users and the **Asset Management Officials**.

3.2.5 Department asset management plans; decisions and activities must be fully integrated with the Governments planning processes, including the department's business plans.

3.2.6 It is the responsibility of the cost centre managers to communicate the Asset Planning Strategy to Asset Management within a provincial department via its Chief Financial Officer.

3.2.7 Departments must continue to verify service needs throughout the planning process.

3.2.8 When estimating the useful life of asset, planned maintenance of the asset should also be considered during the planning stage.

3.2.9 Asset Planning must be conducted to include the asset life cycle stages, i.e. Acquisition, Operation, Maintenance and Disposal, and shall include aspects such as Risk Assessment, Cost-Benefit-Analysis, and Role of **Assets** in programme delivery, Life-cycle costing, Accountability and Responsibility and Alternatives.

3.2.10 The output of Asset Management Planning shall be the Asset Planning Strategy.

3.2.11 Department's Asset Planning Strategy shall result in the following Asset activity plans:

- a) Acquisition Plan
- b) Operation and Maintenance Plan
- c) Transfer Plan
- d) Revaluation Plan
- e) Disposal Plan.

3.2.12 All asset activity plans must be communicated to the **Asset Management Unit** whose responsibility shall be to ensure that targets are set and carried out and that the **Asset Register** is properly updated as and when the need arises.

3.3 BUDGETING

3.3.1 Asset Budgeting shall be the process through which the Asset Planning Strategy is financially quantified and shall entail allocating financial resources to the Asset Planning Strategy.

3.3.2 Asset Budgeting must be conducted to include the asset life cycle stages, i.e. Acquisition, Operation, Transfers, Maintenance and **Disposal**.

3.3.3 It is the responsibility of the cost centre managers to communicate the Asset Budgeting Strategy to the Asset Management Unit within a provincial department.

3.4 ACQUISITION

3.4.1 The decision to acquire asset shall be informed by both the Asset Planning Strategy and Asset Budgeting Strategy.

3.4.2 Alternatives to Asset Acquisition:

- a) The three methods that should be considered by government to acquire assets are Buying, Building or Construction.(transfers and donation)
- b) Unless approved by Provincial Treasury, no assets shall be acquired using Financial Lease.
- c) Assets introduced through Operating Leases MUST NOT be included on the Provincial Asset Register as ownership and total control thereof vests in the supplier.

3.4.3 Considerations in search for capital asset solutions must include:

- a) Contracting-out the function to a service provider to provide the asset.
- b) Redesign the service to reduce the demand of the asset.
- c) Reduce demand for the service itself.
- d) Increase the utilization of existing assets.

3.4.4 The decision to acquire an asset shall be made after consideration of the alternatives to asset ownership and shall be based on the comparison of the life-cycle costs, risks and benefit of each alternative.

3.4.5 Asset Acquisitions shall be documented in an Acquisition Plan.

3.4.6 Acquisition of Land

- a) Land for the purpose of Asset Management, shall encompass both improved and unimproved land and shall include all improvements of a permanent nature constructed on it, e.g. leveling a piece of land.
- b) The provision of the Restitution Lands Act 1994 must be taken into consideration when acquiring land.
- c) A department may acquire land by agreement through negotiation and entering in a common law contract of sale, or shall be by compulsory agreement empowered under legislation.

3.4.7 Acquisition of other assets

- a) The acquisition of assets other than land and those that are constructed shall be treated in terms of the PFMA and by the relevant policies and guidelines such as the Provincial Treasury Instruction on Supply Chain Management.

3.4.8 Asset construction/Building:

- a) The method used to acquire assets should enable:
 - i. Appropriation allocation of risks and obligations to relevant parties.
 - ii. Definition of the respective roles of the various parties involved.
 - iii. Definition of the required outcomes of the acquisition process.
- b) The choice of capital project acquisition must be subject to a Capital Project Appraisal which analyses costs, financial and non-financial benefits, funding options, risks, delivery times, and the period for which the asset is needed using Capital Investment Appraisal concepts, namely, Payback Period/ Discounted Payback Period

- (DPP), Accounting Rate of Return (ARR), Discounted Cash Flow (DCF), Net Present Value (NPV) and the Internal Rate of Return (IRR).
- c) The various methods that must be considered are Lump sum contracts, Design and Construct contracts and Build-Own-Operate-Transfer (BOOT) which should be in compliance with the relevant policies and guidelines such as the Provincial Treasury Instruction on Supply Chain Management.
 - d) Construction/Building of an asset shall constitute a project, i.e. collection of tasks undertaken by a department to achieve a specified goal. Projects are related to assets and for the purpose of capitalization on an **Asset Register**, must be carried out in one of the following forms:
 - i. Construction of new assets
 - ii. Improvement, extension, rehabilitation or enhancement of existing **assets**.
 - iii. Asset construction/building costs shall be accumulated on a project cost basket or Work-Break Down structure to build up an asset and be settled to a final asset on completion.
 - e) Repair or maintenance of existing assets must not be capitalized on an Asset Register.
 - f) Periodic reporting for assets shall include capital projects work-in-progress (WIP) as well as the completed capital assets.
 - g) Assets on operating lease should not be recognized as **assets** on the asset register..

3.5 Recognition of asset

3.5.1 An asset shall be recognized for capitalization on the Asset Register to an extent that it is a resource controlled by a department as a result of past events, and from which future economic benefits or service potential is expected to flow to the department, and which will be utilized over more than one financial period.

3.5.2 An asset to be recognized in terms of the recognition criteria shall **possess** the following characteristics before it is considered for capitalization on the asset Register:

- a. It is a tangible or intangible item of value.
- b) It possesses service potential or future economic benefit that will flow to the entity.
- c) Its service potential or future economic benefit is controlled by an entity.
- d) The service potential or future economic benefit arose from past transactions or events (i.e. 'future' assets cannot be recognized in the financial statements).
- e) It is probable that the service potential will be used.
- f) The asset has a value that can be reliably measured.

3.5.3 The Asset Register shall only be adjusted in respect of a capital expenditure if the expense thereof results in the extension to the asset's useful life, an increase in capacity of an asset, an upgrade in the asset's output of quality thereof and substantial decrease in the assessed future operating cost.

3.5.4 Categorization and Classification of assets in the Asset Register

- a) The general categorization of assets shall be Property, Plant and Equipment (PPE) and shall include all non-current assets which are:
 - i. Building and other fixed structure
 - ii. Machinery and equipment
 - iii. Land and soil assets
 - iv. Investment property
 - v. Biological Assets.

- b) Although some assets consist of complementary primary and secondary components, e.g. personal computer's central processing unit (CPU), monitor and printer, each component must be considered in the Asset Register as a unique asset in its own right.
- c) Assets must be recorded according to a particular classification or logical groupings in the Asset Register in terms of Asset Classification Standards as set by National Treasury Financial Reporting Framework.
- d) Asset Classification must comply with the National Treasury's Asset Management Learner's Guide as summarized in Annexure A.
- e) Each asset item must be recorded individually in the Asset Register in order for an efficient management of its life cycle from the day Government takes control over it.
- f) Loose tools such as toolbox equipment must be treated as one unit if the value of all the items in the toolkit exceeds the capitalization threshold. .
- g) The replacement of worn out, damaged or lost Toolbox Asset items shall be strictly done through the Current Expenditure.
- h) The supervisor/ cost centre owner of the person to whom Toolbox Assets are issued shall keep an Inventory Control List of all the Toolbox Asset items issued for control purposes.

3.5.5 When an asset is included in the Asset Register, the following information must be captured:

- a) Unique Identifier (where applicable)
- b) Barcode / asset number;
- c) Programme;
- d) Asset Class/ Category
- e) Asset Description
- f) Acquisition Date
- g) Claim Number/Source Document/ Expense Voucher
- h) Location
- i) User
- j) Acquisition cost
- k) Carrying Value

3.6 Operations and Maintenance

- 3.6.1 The objective of Operations and Maintenance shall be to ensure that assets remain appropriate to programme requirements, are efficiently utilized and are maintained in the necessary condition to support programme delivery at the lowest possible long- term cost.
- 3.6.2 Departments shall establish and maintain management processes to monitor the assets under their control.
- 3.6.3 For control purposes an asset item MUST be assigned to a location and asset holder/user and MUST be acknowledged in writing by the employee to whom it is assigned.
- 3.6.4 Employees to whom assets are assigned remain fully responsible and accountable for the efficient usage, safeguarding and verification for all assets under their custody until such assets are officially transferred or disposed through the Asset Management processes.
- 3.6.5 Upon transfer or termination of services of an employee, his/her supervisor or cost centre owner shall immediately call such employee to account for all assets under his/her custody.
- 3.6.6 The supervisor or cost centre owner of an employee whose services are being or have been terminated immediately assumes responsibility and accountability for all assets which or have been under the custody of such an employee until such time that the assets are officially transferred, disposed or assigned to another employee.
- 3.6.7 Departments shall be responsible for establishing mechanisms to ensure that the movement of assets between locations and asset holders/users is strictly monitored, and that the Asset management Unit is formally notified to update the Asset Register where such movements become permanent.

- 3.6.8 A department shall annually formulate an Operations and Maintenance Plan defining the following aspects concerning performance optimization and asset life:
- a) An assessment of the conditions of existing assets.
 - b) Operations and Maintenance standards for the level of use, condition, maintenance and performance of assets.
 - c) The means to ensure that assets are efficiently and effectively utilized in supporting programme delivery.
 - d) Responsibility for ownership and control for use, security, condition and performance.
 - e) Accountability for all Operations and Maintenance activities.
 - f) Resources required for operating and maintaining assets.
 - g) Operating policies.
 - h) Estimates of operating costs.
 - i) Training staff in use of the asset.
 - j) Arrangements for performance data collection, monitoring and reporting.
 - k) Maintenance schedule.
- 3.6.9 Programme/cost centre managers shall be responsible for ensuring that the annual or revised Operations and Maintenance Plan for the department and any activity that affects the condition of an asset is communicated to the Asset Management Unit in the department.
- 3.6.10 Programme/ cost centre managers shall be responsible for ensuring that assets are utilized for the purpose for which they are intended, and in compliance with the relevant health and safety standards.
- 3.6.11 Programme managers/cost centre owners shall continually bring to the attention of the Asset Management Unit in the department information regarding any damaged, unserviceable, obsolete or redundant assets which are to be ring-fenced for disposal.

3.7 Asset Transfers

- 3.7.1 Asset Transfer shall be the process through which an asset is moved between departments within the Limpopo Provincial Government.
- 3.7.2 An asset movement shall be treated as a transfer only if its transfer destination remains within the Limpopo Provincial Government, otherwise it shall be treated as a disposal with or without realization value.
- 3.7.3 When transferring assets, departments shall draw an Asset Register Inventory of the assets to be transferred stating the asset number, description, registration reference numbers, current asset holder and location, cost value and the carrying amount at the date of transfer.
- 3.7.4 The inventory list shall be covered by a formal Handing and Taking-Over Certificate [(Z 584) VA 32] (Annexure C) which shall be signed by both the receiving and the transferring department officials in compliance with the applicable Delegation of Authority within the department. There shall also be a Memorandum of Agreement where necessary, to avoid challenges that might arise after the transfer.
- 3.7.5 Upon the conclusion of a transfer agreement between the transferring and the receiving departments, the transferring department shall lodge the signed Handing and Taking-Over Certificate together with the accompanying inventory list(s) with Provincial Treasury and the office of the Auditor General within **14 (fourteen) days** from the day of the transfer.
- 3.7.6 The Asset Registers of both transferring and receiving departments shall be updated with both the financial and non-financial history of the asset.
- 3.7.7 The value of the asset to the receiving department shall be the same value as per the Asset Register of the transferring department.
- 3.7.8 All asset transfers shall be authorized by the Accounting Officer.

3.8 Asset Verification

- 3.8.1 The Asset Verification shall be the process through which the physical existence of assets and their conditions are verified against assertions in the Asset Register.
- 3.8.2 The Chief financial Officer shall designate, a competent Asset Verification Team to perform Asset Verification and report findings for the whole department.

- 3.8.3 The Asset Verification process shall be concluded and the report there of shall be made available to support Financial Statements.
- 3.8.4 The physical existence of fixed assets and intangible assets shall be verified against their respective documents of title and ownership.
- 3.8.5 The final Asset Verification Exception Form of the department, duly-authorized shall be lodged with the Asset Management Unit of the department for the update of the Asset Register.
- 3.8.6 The Verification Output Report of the department, duly-authorized by the Accounting Officer, shall be lodged with the Provincial Asset Management Unit in Provincial Treasury within 14 days of completion of each verification process.
- 3.8.7 The frequency at which the Asset Verification shall be conducted is six months.

3.9 Disposal Of Assets

- 3.9.1 Asset Disposal shall be the process through which assets are removed from the control of the provincial department by way of sale, donation, scrapping, cannibalism, decommissioning, destruction, devolution, surrender, cessation or trade-in, excluding transfers.
- 3.9.2 The provincial government departments shall have an Annual Disposal Plan for assets which regulates the minimization of the issue of having redundant assets belonging to government all over the province.
- 3.9.3 The Disposal Plan shall establish the rationale for the anticipated time and method of disposal, and the expected proceeds.
- 3.9.4 The department shall file a copy of the Disposal Plan with the Provincial Asset Management Directorate in Provincial Treasury at the beginning of financial year.
- 3.9.5 No asset shall be sold at a lesser price than its fair value without the approval of Provincial Treasury.
- 3.9.6 The appropriate means of disposal by sale shall be through Public Auction or Public Tender.
- 3.9.7 The market value of the item to be sold through public auction or tender should be determined and the market value should be set as the reservation price.
- 3.9.8 There shall be, in each department, an Asset Disposal Committee (ADC) whose responsibility shall be to assess and ring-fenced assets for disposal, obtain approval from the Accounting Officer and execute the disposal function.
- 3.9.9 Once approval for disposal has been granted, the department shall invite the Provincial Asset Management in Provincial Treasury at least **two weeks** before disposal, to conduct a Pre-Disposal Audit.
- 3.9.10 The Provincial Asset Management in Provincial Treasury reserves the right to demand compliance with the Act, Policies, Procedures and applicable standards before assets disposal can be executed.
- 3.9.11 All assets ring-fenced for disposal must have been registered in the Asset Register before disposal.
- 3.9.12 The Asset Management Unit of the department shall update the Asset Register with regard to disposed assets, strictly in the month in which the assets disposal took place.
- 3.9.13 The department shall, upon disposal of assets, lodge a Disposal Report on all assets disposed and details of proceeds thereof, with Provincial Treasury.
- 3.9.14 Unless otherwise expressly provided for in any other law, a decision to dispose of immovable property shall vests with the Provincial Department of Public Works.
- 3.9.15 All proceeds received from sale of assets by a department must be paid into the Provincial Revenue Fund (PRF).
- 3.9.16 Disposal of assets must strictly comply with the provisions of the applicable Practice Note on Disposal of Assets as issued by Provincial Treasury

3.10 Asset Valuation

- 3.10.1 The value of an asset in the Asset Register shall be purchase price and other costs of bringing it into operation or fair value as determined in terms of National Treasury Financial Reporting Framework.
- 3.10.2 Where no acquisition documents are available to support cost, historical assets shall be valued as per National Treasury Financial Reporting Framework.
- 3.10.3 An asset shall assume its useful life from the date of receipt.

4 AUTHORITY

- a) This Policy shall remain the only transversal Provincial Asset Management Policy in Limpopo Provincial Government on the subject of Asset Management.
- b) Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate asset management processes within their respective areas of operation.

ANNEXURE A

ASSET CLASSIFICATION AND LIFESPAN TABLES

A. PROPERTIES ()

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
A1. PROPERTIES	A1.1. Developed	N/A	2465	PROPERTY	LANDEVEL	LANDEVEL
	A1.2. Undeveloped	N/A	2467	PROPERTY	LANUNDEV	LANUNDEV
	A1.3. For Sale	N/A	2466	PROPERTY	LANSALES	LANSALES
		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
A2. BUILDINGS	A2.1. Residential					
	Hostels	300	2222	BUILDING	RESBUILD	RESFACIL
	Places of safety	300	2227	BUILDING	RESBUILD	RESFACIL
	Prisons and rehab facilities	300	2228	BUILDING	RESBUILD	RESFACIL
	Residence(incl garages & parking)	300	2217	BUILDING	RESBUILD	RESFACIL
	Secure centres	300	2218	BUILDING	RESBUILD	RESFACIL
	Children's homes	300	2220	BUILDING	RESBUILD	RESHOMES
	Foreign mission dwellings	300	2221	BUILDING	RESBUILD	RESHOMES
	Homes for the aged	300	2225	BUILDING	RESBUILD	RESHOMES
	Military personnel dwellings	300	2223	BUILDING	RESBUILD	RESHOMES
	Presidential, Embassies, etc	300	2216	BUILDING	RESBUILD	RESHOMES
	Caravans	120	2219	BUILDING	RESBUILD	RESMOBIL

DESCRIPTION	LIFESPAN	SCOA	CAT	SUBCAT	ASSET CLASS	DESCRIPTION
A2. BUILDINGS	A2.2. Non-Residential					
	Airport Buildings	300	2230	BUILDING	NONRESBL	NRECOMCL
	Border and custom control	300	2240	BUILDING	NONRESBL	NRECOMCL
	Bus Terminals	300	2241	BUILDING	NONRESBL	NRECOMCL
	Bus Shelters	120	2242	BUILDING	NONRESBL	NRECOMCL
	Civic Theaters	300	2243	BUILDING	NONRESBL	NRECOMCL
	Driver/Vehicle testing centres	300	2246	BUILDING	NONRESBL	NRECOMCL
	Fire stations	300	2248	BUILDING	NONRESBL	NRECOMCL
	Foreign mission offices	300	2247	BUILDING	NONRESBL	NRECOMCL
	Laboratories	300	2251	BUILDING	NONRESBL	NRECOMCL
	Office buildings(incl Air conditioners)	300	2231	BUILDING	NONRESBL	NRECOMCL
	Public parking	300	2232	BUILDING	NONRESBL	NRECOMCL
	Railway & assoc buildings	300	2234	BUILDING	NONRESBL	NRECOMCL
	Research facilities	300	2235	BUILDING	NONRESBL	NRECOMCL
	Warehouses (storage incl data)	300	2531	BUILDING	NONRESBL	NRECOMCL
	Libraries	300	2252	BUILDING	NONRESBL	NREDUCAT
	Museums & Art galleries	300	2230	BUILDING	NONRESBL	NREDUCAT
	Universities, colleges, schools, etc	300	3243	BUILDING	NONRESBL	NREDUCAT
	Clinics & community health centre	300	2244	BUILDING	NONRESBL	NREHEALT
	Hospitals & ambulance stations	300	2249	BUILDING	NONRESBL	NREHEALT
	Mortuaries	300	2229	BUILDING	NONRESBL	NREHEALT
	Community centres	300	2245	BUILDING	NONRESBL	NRERECRE

	Public entertainment buildings	300	2245	BUILDING	NONRESBL	NRERECRE
	Stadiums	300	2236	BUILDING	NONRESBL	NRERECRE
	Police stations & assoc buildings	300	2233	BUILDING	NONRESBL	NRESECUR
	Industrial buildings	300	2250	BUILDING	NONRESBL	NRESINDL
	Taxi ranks	120	2237	BUILDING	NONRESBL	NRETAXIS
A3. INVESTMENT PROPERTIES	A3.1 Investment properties	N/A	2532	PROPERTY	INVESTME	INVPROPS

B. INFRASTRUCTURAL ASSETS (2058)

DESCRIPTION	LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS	
INFRASTRUCTURE ASSETS	B1. Electricity (2059)					
	Mains	180	2261	INFASSET	ELETRIC	ELEMETRS
	Meters	180	2262	INFASSET	ELETRIC	ELEMETRS
	Switchgear Equipment	180	2255	INFASSET	ELETRIC	ELEMETRS
	Supply/ Reticulation	180	2254	INFASSET	ELETRIC	ELERETIC
	Cooling Towers	300	2259	INFASSET	ELETRIC	ELESTATN
	Power Station- Coal	300	2533	INFASSET	ELETRIC	ELESTATN
	Power Station- Gas	300	2533	INFASSET	ELETRIC	ELESTATN
	Power Station- Hydro	300	2533	INFASSET	ELETRIC	ELESTATN
	Power Station- Nuclear	300	2533	INFASSET	ELETRIC	ELESTATN
	Transformers	300	2256	INFASSET	ELETRIC	ELETRFMR
	B2. Roads (2060)					
	Bridges- Pedestrian	300	2264	INFASSET	ROADS111	ROABRIDG
	Bridges- Railway	300	2265	INFASSET	ROADS111	ROABRIDG
	Bridges- Vehicle	300	2263	INFASSET	ROADS111	ROABRIDG
	Culverts	300	2266	INFASSET	ROADS111	ROABRIDG
	Subways	300	2281	INFASSET	ROADS111	ROABRIDG
	Municipal Roads- Concrete	180	2278	INFASSET	ROADS111	ROACONCR
	National Roads- Concrete	180	2270	INFASSET	ROADS111	ROACONCR
	Provincial Roads- Concrete	180	2274	INFASSET	ROADS111	ROACONCR
	Overload Control Centres	180	2539	INFASSET	ROADS111	ROACONTRL
	Traffic Islands	180	2285	INFASSET	ROADS111	ROACONTRL
	Traffic Lights	180	2286	INFASSET	ROADS111	ROACONTRL

DESCRIPTION	LIFESPAN	SCOA	CAT	SUBCAT	ASSET CLASS
	(Months)				
National Roads- Gravel	60	2271	INFASSET	ROADS111	ROAGRAVL
Provincial Roads- Gravel	60	2275	INFASSET	ROADS111	ROAGRAVL
Street Lighting	300	2283	INFASSET	ROADS111	ROALIGHT
Kerbing & Pavements	180	2267	INFASSET	ROADS111	ROAOTHER
Pedestrian Footpaths	180	2280	INFASSET	ROADS111	ROAOTHER
Storm water drains	180	2282	INFASSET	ROADS111	ROAOTHER
Municipal Roads- Tar	120	2277	INFASSET	ROADS111	ROATARRD
National Roads- Tar	120	2269	INFASSET	ROADS111	ROATARRD
Provincial Roads- Tar	120	2273	INFASSET	ROADS111	ROATARRD
Toll Road Plazas	240	2284	INFASSET	ROADS111	ROATOLLG
B3. Airports (2061)					
Airports & Radio Beacons	180	2287	INFASSET	AIRPSTRU	AIRPSTRU
Aprons	180	2288	INFASSET	AIRPSTRU	AIRPSTRU
Runways	180	2289	INFASSET	AIRPSTRU	AIRPSTRU
Taxiways	180	2290	INFASSET	AIRPSTRU	AIRPSTRU
B4. Water (2062)					
Dams	240	2292	INFASSET	WATER111	WATDAMSS
Reservoirs	240	2296	INFASSET	WATER111	WATDAMSS
Water Purification Works	240	2295	INFASSET	WATER111	WATDAMSS
Underground chambers- Others	120	2291	INFASSET	WATER111	WATOTHER
DESCRIPTION	LIFESPAN	SCOA	CAT	SUBCAT	ASSET CLASS
	(Months)				
Meters	180	2293	INFASSET	WATER111	WATSUPPL
Pump Stations	180	2294	INFASSET	WATER111	WATSUPPL
Supply/Reticulation	180	2297	INFASSET	WATER111	WATSUPPL
Underground chambers- Meters	180	2299	INFASSET	WATER111	WATUNDER
Underground chambers- Transition	180	2300	INFASSET	WATER111	WATUNDER
Underground chambers- Valves	180	2298	INFASSET	WATER111	WATUNDER
B5. Sewerages (2063)					

INFRASTRUCTURE
ASSETS

INFRASTRUCTURE ASSETS	Sewerage Pump Stations	180	2304	INFASSET	SEWERAGE	SEWPURIF	
	Waste Purification Works	180	2303	INFASSET	SEWERAGE	SEWPURIF	
	Outfall Sewers	240	2302	INFASSET	SEWERAGE	SEWRETIC	
	Sewers/Reticulation	240	2305	INFASSET	SEWERAGE	SEWRETIC	
	B6. Railway (2064)						
	Power Supply Units	300	2306	INFASSET	RAILWAYS	RAILSTRUC	
	Railway Sidings	300	2309	INFASSET	RAILWAYS	RAILSTRUC	
	Shunting Yards	300	2307	INFASSET	RAILWAYS	RAILSTRUC	
	Railway Tracks	180	2310	INFASSET	RAILWAYS	RAILSYSTEM	
	Signaling Systems	180	2308	INFASSET	RAILWAYS	RAILSYSTEM	
	B7. Gas Supply Systems (2065)						
	Mains/Pipelines	180	2312	INFASSET	GASYSTEM	GASUPPLY	
	Meters	180	2313	INFASSET	GASYSTEM	GASUPPLY	
	Storage facilities	180	2314	INFASSET	GASYSTEM	GASUPPLY	
	Supply/Reticulation	180	2311	INFASSET	GASYSTEM	GASUPPLY	
	DESCRIPTION	LIFESPAN	SCOA	CAT	SUBCAT	ASSET CLASS	
		(Months)					
	B8. Cemeteries	300	2066	INFASSET	CEMETRIES	CEMETRIES	
	B9. Harbours (2067)						
	Cranes and Crane Shovels	180	2318	INFASSET	HARBOURS	HARHOIST	
	Freight Elevators	180	2319	INFASSET	HARBOURS	HARHOIST	
	Container Terminals	240	2317	INFASSET	HARBOURS	HARSHIPS	
	Shipping & Storage Containers	240	2320	INFASSET	HARBOURS	HARSHIPS	
	Car Parks	300	2315	INFASSET	HARBOURS	HARVEHIC	

	Car Terminals	300	2316	INFASSET	HARBOURS	HARVEHIC
B10. Capital/Infrastructure Work-In-Progress (2055)						
	Buildings	N/A	2055	INFASSET	CAPITWIP	WIPBUILD
	Infrastructure	N/A	2055	INFASSET	CAPITWIP	WIPINFRA
	Construction Costs	N/A	2055	INFASSET	CAPITWIP	WIPCOSTS

C .MACHINERY AND EQUIPMENT (998)

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
C1. OTHER MACHINERY AND EQUIPMENT (2068)						
OTHER MACHINERY AND EQUIPMENT	Gardening Equipment	24	2390	MACH&EQP	OTHM&EQP	OMEGARDN
	Farm/ Agricultural Equipment	60	2389	MACH&EQP	OTHM&EQP	OMEAGREQ
	Irrigation Equipment	120	2392	MACH&EQP	OTHM&EQP	OMEAGREQ
	Building Air conditioner Systems	120	5502	MACH&EQP	OTHM&EQP	OMEAGREQ
	Elevator Systems	180	5503	MACH&EQP	OTHM&EQP	OMEBLDEQ
	Cellular phones	24	2408	MACH&EQP	OTHM&EQP	OMECELLP
	Cellular Routers	36	2409	MACH&EQP	OTHM&EQP	OMECOMMU
	Telecommunications Equipment	36	2380	MACH&EQP	OTHM&EQP	OMECOMMU
	Domestic Equipment(Non Kitchen)	36	2385	MACH&EQP	OTHM&EQP	OMEDOMEQ
	Kitchen Appliances	60	2393	MACH&EQP	OTHM&EQP	OMEKITCH
	Laundry Equipment	120	2394	MACH&EQP	OTHM&EQP	OMELAUND
	Learning, Training & Laboratory Equipment	60	2396	MACH&EQP	OTHM&EQP	OMELEARN
	Ship and Marine Equipment	60	2543	MACH&EQP	OTHM&EQP	OMEMAREQ
	Medical and Allied Equipment	60	2401	MACH&EQP	OTHM&EQP	OMEMEDIC
	Music Instruments	120	2402	MACH&EQP	OTHM&EQP	OMEMUSIC
	Audiovisual Equipments	60	2407	MACH&EQP	OTHM&EQP	OMEFOFEQ
	Photographic Equipment	60	5173	MACH&EQP	OTHM&EQP	OMEFOFEQ

	Machines for Metallurgy	60	2398	MACH&EQP	OTHM&EQP	OMEPRODT
	Machines for mining and quarrying	60	2399	MACH&EQP	OTHM&EQP	OMEPRODT
	Pumps, Plumbing, Purification & Sanitation Equip	60	2542	MACH&EQP	OTHM&EQP	OMEPRODT
	Industrial Sewing Machines	120		MACH&EQP	OTHM&EQP	OMEPRODT
	Textile Production Machines	120	2400	MACH&EQP	OTHM&EQP	OMEPRODT
	Road Construction & Maintenance Equipment	120	2375	MACH&EQP	OTHM&EQP	OMEPRODT
DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
OTHER MACHINERY AND EQUIPMENT	Radio Equipment	60	2374	MACH&EQP	OTHM&EQP	OMERADIO
	Saddles and Other Tack	60	2376	MACH&EQP	OTHM&EQP	OMESADDL
	Fire Fighting Equipment	36	2388	MACH&EQP	OTHM&EQP	OMESECUR
	Security Equip/Systems/Materials-Fixed	36	2416	MACH&EQP	OTHM&EQP	OMESECUR
	Security Equip/Systems/Materials-Moveable	36	2417	MACH&EQP	OTHM&EQP	OMESECUR
	Emergency/Rescue Equipment	60	2387	MACH&EQP	OTHM&EQP	OMERGENC
	Sport & Recreation Equipment	60	2378	MACH&EQP	OTHM&EQP	OMESPORT
	Laboratory Equipment-Agricultural	60	2415	MACH&EQP	OTHM&EQP	OMET&RES
	Laboratory Equipment-Medical Testing	60	2414	MACH&EQP	OTHM&EQP	OMET&RES
	Laboratory Equipment-Roads & Transport	60	2413	MACH&EQP	OTHM&EQP	OMET&RES
	Survey Equipment	60	2379	MACH&EQP	OTHM&EQP	OMET&RES
	Tents, Flags and Accessories	60	2381	MACH&EQP	OTHM&EQP	OMETENTS
	Workshop Equipment & loose tools-Moveable	60	2545	MACH&EQP	OTHM&EQP	OMEWKSHP
	Workshop Equipment & loose tools-Fixed	60	2545	MACH&EQP	OTHM&EQP	OMEWKSHP

	Electric Wire & Power Distribution Equipment-Compressors, Generators & Allied Equipment	60	2541	MACH&EQP	OTHM&EQP	OMEWORKM
	Working Machinery & Equipment	60	2544	MACH&EQP	OTHM&EQP	OMEWORKM

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
FURNITURE AND OFFICE EQUIPMENT	C2. FURNITURE AND OFFICE EQUIPMENT ()					
	Advertising Boards	60	2405	MACH&EQP	FURNOEQP	FOEADVER
	Domestic & Hostel Furniture	120	2385	MACH&EQP	FURNOEQP	FOEDOMHO
	Office Furniture	60	2404	MACH&EQP	FURNOEQP	FORFURNT
	Paintings, Sculptures, Ornaments, etc	60	2372	MACH&EQP	FURNOEQP	FORFURNT
	Air conditioner (Stand-alone)	60	2412	MACH&EQP	FURNOEQP	FOEQUIPM
	Office Equipments	60	2403	MACH&EQP	FURNOEQP	FOEQUIPM
COMPUTER EQUIPMENT AND HARDWARE SYSTEMS	C3. COMPUTER HARDWARE AND SYSTEMS ()					
	CPU	36	2411	MACH&EQP	COMPEQPT	COMPEQPT
	Monitors	36	2411	MACH&EQP	COMPEQPT	COMPEQPT
	Printer and Plotters	36	2411	MACH&EQP	COMPEQPT	COMPEQPT
	CD Writers	36	2411	MACH&EQP	COMPEQPT	COMPEQPT
	Laptop	36	2411	MACH&EQP	COMPEQPT	COMPEQPT
	Palmtop	36	2411	MACH&EQP	COMPEQPT	COMPEQPT
Till Drawer	36	2411	MACH&EQP	COMPEQPT	COMPEQPT	

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
TRANSPORT ASSETS	C4. TRANSPORT ASSETS (2088)					
	Aircraft Engines	60	2321	MACH&EQP	TRAASSET	TRAAENGN
	Buses	120	2323	MACH&EQP	TRAASSET	TRABUSES

TRANSPORT ASSETS	Emergency Vehicles	60	2324	MACH&EQP	TRAASSET	TRAEMERG
	Airport Transport Equipment	120	2322	MACH&EQP	TRAASSET	TRAIRPOR
	Mobile Clinics	120	2325	MACH&EQP	TRAASSET	TRAMOBIL
	Aircrafts	120	2371	MACH&EQP	TRAASSET	TRAPLANE
	Railway rolling stock	120	2327	MACH&EQP	TRAASSET	TRARAILW
	Ship Engines	60	2330	MACH&EQP	TRAASSET	TRASENGN
	Ships	180	2329	MACH&EQP	TRAASSET	TRASHIPS
	Trailers & Accessories	60	2328	MACH&EQP	TRAASSET	TRATRUCK
	Trucks	60	2331	MACH&EQP	TRAASSET	TRATRUCK
	Cycles	48	2540	MACH&EQP	TRAASSET	TRACYCLE
	Motor Vehicles	48	2326	MACH&EQP	TRAASSET	TRAVEHICL

D. SPECIALIZED MILITARY ASSETS

DESCRIPTION	LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
D1. SPACE VESSELS & EQUIPMENT (2383)					
Aircraft fighter planes	120	2427	MILITARY	SPAVESSEL	SPACOMBT
Helicopters	120	2431	MILITARY	SPAVESSEL	SPACOMBT
Space vehicles	120	2421	MILITARY	SPAVESSEL	SPACOMBT
Aircraft(troop and cargo/freight)	180	2429	MILITARY	SPAVESSEL	SPAVESSEL
Aircraft launch, land and ground handling eqp	60	2425	MILITARY	SPAVESSEL	SPAWEAPN
Airfield trucks and trailers	60	2428	MILITARY	SPAVESSEL	SPAWEAPN
D2. GROUND VESSELS, EQUIPMENTS & AMUNITIONS (2383)					
Transport vessels, passenger and troop	120	2547	MILITARY	GRDVESSEL	GRDCOMBT

SPECIALIZED MILITARY ASSETS	Cargo and tanker vessels	180	2429	MILITARY	GRDVESSL	GRDVESSL
	Specialized ammunition & explosives equip	60	2422	MILITARY	GRDVESSL	GRDWEAPN
	Weapons	60	2424	MILITARY	GRDVESSL	GRDWEAPN
	D3. SEA VESSELS & EQUIPMENT (2383)					
	Combat ships and landing vessels	120	2430	MILITARY	SEAVESSL	SEACOMBT
	Ships, small craft, pontoons and floating docks	120	2420	MILITARY	SEAVESSL	SEACOMBT
	Specialized shipping & storage containers	120	2423	MILITARY	SEAVESSL	SEACOMBT
	Missiles systems	120	2546	MILITARY	SEAVESSL	SEAWEAPN

E. HERITAGE ASSETS

DESCRIPTION	LIFESPAN	SCOA	CAT	SUBCAT	ASSET CLASS
	(Months)				
E1. IMMOVABLE HERITAGE ASSETS (2384)					
Cultural significant buildings	N/A	2434	HERITAGE	HERIMMOV	HAIBUILD
National Monuments	N/A	2435	HERITAGE	HERIMMOV	HAIBUILD
National Parks	N/A	2436	HERITAGE	HERIMMOV	HAIBUILD
Areas of land of historic/specific significance	N/A	2433	HERITAGE	HERIMMOV	HAILANDS
E2. MOVABLE HERITAGE ASSETS (2384)					
Archives	N/A	2432	HERITAGE	HERMOVAB	HARMARCH
Sculptures	N/A	2439	HERITAGE	HERMOVAB	HAMWOART
Paintings	N/A	2438	HERITAGE	HERMOVAB	HAMWOART
State jewellery	N/A	2440	HERITAGE	HERMOVAB	HAMWOART
Works of Art	N/A	2441	HERITAGE	HERMOVAB	HAMWOART
Other antiques and collections	N/A	2437	HERITAGE	HERMOVAB	HAMWOART

F. BIOLOGICAL / CULTIVATED ASSETS

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
BIOLOGICAL CULTIVATED ASSETS	F1. BIOLOGICAL ASSETS (999)					
	Game animals	N/A	2449	BIOCULT	BIOLOGIC	BIOGAMES
	Dairy cattle	N/A	2445	BIOCULT	BIOLOGIC	BIOPRODT
	Feathered animals	N/A	2446	BIOCULT	BIOLOGIC	BIOPRODT
	Animals for reproduction(cattle, goats, sheep, pig)	N/A	2450	BIOCULT	BIOLOGIC	BIOPRODT
	Animals for wool or milk(goats and sheep)	N/A	2451	BIOCULT	BIOLOGIC	BIOPRODT
	Other animals	N/A	2443	BIOCULT	BIOLOGIC	BIOOTHERS
	Dogs(law enforcement and working)	N/A	2452	BIOCULT	BIOLOGIC	BIOWORKS
	F2. CULTIVATED ASSETS (999)					
	Forest and plantations	N/A	2447	BIOCULT	BIOLOGIC	CULTIVAT
	Fruit trees	N/A	2448	BIOCULT	BIOLOGIC	CULTIVAT
	Plants(for production of seeds)	N/A	2454	BIOCULT	BIOLOGIC	CULTIVAT
	Vines	N/A	2455	BIOCULT	BIOLOGIC	CULTIVAT

G. MINERAL NON-REGENERATIVE RESOURCES

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
MINERAL NON-REGENERATIVE RESOURCES	Ore bodies	N/A	2457	MNRRESOU	MNROREBO	MNRRESOU
	Natural resources (non-regenerative)	N/A	2456	MNRRESOU	MNRRESOU	MNRRESOU

H. INTANGIBLE ASSETS

DESCRIPTION		LIFESPAN (Months)	SCOA	CAT	SUBCAT	ASSET CLASS
INTANGIBLE ASSETS	H1. REASEARCH AND DEVELOPMENT COSTS (1000)					
	Capitalized Research & Development costs	N/A	2458	INTANGIB	INTRAR&DC	INTRAR&DC
	H2.INTELLECTUAL PROPERTY (1000)					

INTANGIBLE ASSETS	Computer software	N/A	2459	INTANGIB	INTELLEC	INTIPSW
	Patents, Licenses, Copyrights, Brands, Trademarks ,etc	N/A	2462	INTANGIB	INTELLEC	INTIPAPL
	Recipes, formulae, Prototypes, designs & models	N/A	2463	INTANGIB	INTELLEC	INTIPARF
	H3. INTELLECTUAL SERVITUDES (1000)					
	Other intangibles	N/A	2461	INTANGIB	SERVITUD	INTISOTH
	Service and operating rights	N/A	2464	INTANGIB	SERVITUD	INTISRGH
	Mastheads and publishing titles	N/A	2460	INTANGIB	SERVITUD	INTISTIT

SECTION E

DEBT MANAGEMENT POLICY

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1. PREAMBLE

The objective of this policy is to provide guidance to address and deal with debt management. This policy covers all provincial debts emanating from the provincial revenue sources, staff debts and any other debts.

2. PURPOSE

The purpose of this policy is to:

- a) provide the framework for managing departmental debtors and debt write offs;
- b) govern the collection of all outstanding debts due to departments by instituting effective and appropriate steps timeously to collect money due to the department in compliance with prescripts; and
- c) Recognize debt promptly and vigorously pursue collection;

3. POLICY PRONOUNCEMENTS

3.1 Creation of a debt

The Chief Financial Officer must immediately, on becoming aware of any amount owing to the department confirm, reconcile and create a debt in the Financial System.

3.2 Types of debt

The following debt types may be cited:

- a) employee related debts (e.g. overpayments of salaries or allowances of employees in service and private cell phone costs);
- b) losses and damages suffered by the state through the act of an official or any other person;
- c) unauthorized, irregular, fruitless and wasteful expenditure;
- d) breach of contract by an individual or other entity;
- e) erroneous payments or overpayments to service providers;
- f) debt adoption;
- g) travel and subsistence advances not redeemed;
- h) state guarantees;
- i) debt in respect of shortfalls on deductions payable to other institutions.
- j) interdepartmental debts; and
- k) any other third party debts.

3.3 Debt Recovery Process

3.3.1. The Chief Financial Officer must as soon as s/he has created a debtor account: Inform a debtor in writing of any amounts owing by him / her to the Department; and request the debtor to pay the identified debt within 30 days.

3.3.2. If the debtor cannot settle the debt in 30 days, the Chief Financial Officer shall request the debtor to provide a reasonable settlement period.

3.3.3. The Chief Financial Officer may approve the recovery of amounts owing to the Department in installments at the written request of a debtor, provided:

- a) the conditions of payment are not determined by law, contract or agreement;
- b) the debtor presents an income and expenditure statement; and
- c) after reviewing the income and expenditure statement, the Chief Financial Officer is satisfied that the recovery of amounts owing to the Department cannot be recovered in 30 days.
- d) Provisions of the relevant Acts or prescripts have been adhered to.

3.3.4. The debt must be recovered as soon as possible, at a maximum of 25% of net monthly salary, where net salary is defined as gross salary less statutory deductions

3.3.5 Interdepartmental debts should be confirmed on a monthly basis.

3.4 Neglect or refusal by the debtor to acknowledge amounts owing

3.4.1. The Chief Financial Officer may, after s/he has become aware of any negligence or refusal to acknowledge amounts owing to the Department, and where it is economical and in the best interest of the Department, instruct the Legal Services unit to recover amounts owing to the Department through a legal process provided that:

- a) the debtor received all possible assistance in terms of the official policy to arrange for payment;
- b) all possible means were used to get in touch with the person and persuade him/her to pay; and
- c) acknowledgement of the amount owing to the Department was not or could not be obtained from the debtor.

3.5 Debt monitoring

3.5.1 All debts must be monitored on a monthly basis.

3.5.2 Defaulting debtors must be issued with letters of demand and handed over to legal services or debt collectors after 90 days if no payments are received.

3.6 Debt Collectors

3.6.1 Where it is apparent that the debtor has left his or her last known address, the Accounting Officer, if it is economically viable to do so, may appoint debt collectors to locate and recover the debt owed by the debtor; and

3.6.2 In deciding whether it is economically viable to appoint tracing agents, the Accounting Officer must take into account the following:

- a) the amount of debt;
- b) the estimated costs of the tracing agents; and
- c) whether the debtor, once located, would be able to settle the debt.

3.7 Identification of amounts owing to the department by employees leaving the services of a department

The Human Resource Manager must ensure that:

- a) All employees leaving the department complete an exit clearance certificate which includes an acknowledgement of any debts or assets in their possession that must be settled or returned.
- b) The responsible managers of the relevant support services should verify and confirm the certificate.

3.8 Recovery of amounts owing to the department by employees leaving the services of a department

3.8.1 The Chief Financial Officer must within 3 working days of becoming aware and confirming any amount owing to the Department by a resigning employee:

- a) create a debt for the relevant employee;
- b) inform the employee in writing of any amount owing to the Department;
- c) request such a debtor to pay the debt within 30 days; or
- d) alternatively, inform the employee that amounts owing to the Department will be recovered from his/her leave gratuity and or pension fund payouts.

3.8.2 The Accounting Officer may where an employee's pension payout is not sufficient, or where pension payouts are not applicable, approve the recovery of outstanding amounts owing to the Department in installments upon request of a debtor, provided that:

- a) the debtor is requested to submit an income and expenditure statement; and
- b) after reviewing the income and expenditure statement, the Accounting Officer is satisfied that the recovery of amounts owing to the Department cannot be recovered in 30 days.

3.9 Determination of interest rates for debts owing to the state

3.9.1 The Chief Financial Officer must ensure that the interest rates prescribed by National Treasury are applied to all amounts owing to the Department.

3.9.2 Interest will not be charged on debts owed unless:

- a) the monetary advantage resulted from an employee's own fraudulent action;
- b) the resulting loss and /or damage was caused deliberately; and
- c) there was breach of contract or a delictual claim relating to the contractual relationship.

3.10 Interest calculations

Interest is calculated on the decreasing balance of the debt and may not be capitalized, nor may it exceed the original capital amount as prescribed by National Treasury.

3.11 Acceptable methods of payments by debtors

The following payment methods may be utilized by debtors:

- a) Cash;
- b) bank Guaranteed Cheques;
- c) postal order or money order;
- d) electronic funds transfer;
- e) credit/Debit card facilities where available; and
- f) PERSAL deductions for government employees.

3.12 Refund of credit balances

3.12.1 The Chief Financial Officer may refund a credit balance on a debtor's account, or offset it against other amounts owing to the Department.

3.12.2 After the department has informed the debtor about money received in excess, and the debtor does not claim the excess money for a period of twelve (12) months, the funds in excess must be surrendered to the Provincial Revenue Fund.

3.13 Application for debts to be written off, and determining irrecoverable debts or uneconomical debt recovery

3.13.1 The Accounting Officer may approve the writing off of a debt provided all reasonable steps have been taken to recover the debt, including referral to the office of the State Attorney and any one or more of the following are applicable:

- a) recovery of the debt would be uneconomical;
- b) the debt is irrecoverable;
- c) a visible effort has been executed in recovering the debt;
- d) recovery would cause undue hardship to the debtor or his or her dependants (The debtor or his/her dependants would be deprived of their minimum essential means of livelihood);
- e) it would be to the advantage of the state to effect a settlement of its claim or to waive the claim;

- f) the Department cannot legally prove the claim;
- g) it is not possible to collect any substantial amount;
- h) statutory requirements prevent debt from being claimed or recovered;
- i) the debtor has neither assets nor income;
- j) all reasonable efforts to trace the debtor have failed;
- k) the State's claim against an insolvent estate or an estate that is being administered as insolvent, had been properly proved and the dividend of the creditors was insufficient to meet the debt;
- l) on account of the weak financial position of an estate, the danger exists that if the debt is proved, a contribution will have to be paid to the estate;
- m) there is no possibility now or in the foreseeable future of collection;
- n) the debtor is no longer a resident in South Africa, there are no apparent means of collecting the debt, and there is no evidence that the debtor has family or business concerns in South Africa that could lead to the debtor returning to South Africa;
- o) the debtor is deceased and there is no known estate;
- p) the assets of the debtor or of the estate of the debtor are indispensable to the debtor's dependants or are of relatively little value;
- q) the State Attorney or Head: Legal Services has made a recommendation to that effect and the Department is in agreement therewith; or
- r) the amount outstanding represents the outstanding balance on the account after payment for the initial service was made, and of which further recovery is deemed to be uneconomical.

3.14 Irrecoverable debt as a result of unauthorized, irregular, fruitless and wasteful expenditure

- a) The Accounting Officer may, after a thorough investigation, write off amounts owing to the Department due to unauthorized, irregular, fruitless and wasteful expenditure, provided the investigation could not identify negligence from staff members.
- b) But if a committee of Limpopo Legislature has instructed for action to be taken, the Accounting Officer can only write off such amounts after consulting the relevant committee and a go ahead has been given.

3.15 Writing off of bad debts

- a) After following all proper procedures of obtaining approval for write off, the amount to be written off will be journalised to the item Special Program Theft and Losses.
- b) In order to clearly identify thefts and losses (including bad debts) apart from the normal expenditure connected with a department's programmes, such expenditure must be reflected as a debit in the Special Programme as Current Payments in Thefts and Losses under Financial Transactions in Assets and Liabilities. Thefts and Losses should not be budgeted for but expenditure debited to this item must be reflected under current expenditure in the Income Statement.
- c) Thefts and Losses must be dealt with by applying savings/underspending realised under the respective programme or from other programmes.

3.16 Disclosure of irrecoverable debt in the financial statements

- a) The Accounting Officer must ensure that all debts written off must be disclosed in the annual financial statements.
- b) The amount disclosed as irrecoverable debt in the annual financial statements should be as per the National Accounting Framework issued by National Treasury.

4 AUTHORITY

This Policy shall remain the only transversal Debt Management Policy in Limpopo Provincial Government. Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate debt management processes within their respective areas of operation.

SECTION F

BANKING & CASH MANAGEMENT POLICY

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1. PREAMBLE

The objective of this policy is to give effect to the provisions of PFMA and TR with regard to banking and cash management.

2. PURPOSE

The purpose of this policy is to provide guidance on the effective, efficient and economic management of banking and cash .

3. POLICY PRONOUNCEMENTS

3.1. BANKING ARRANGEMENTS

3.1.1. Background

- a) The provincial revenue fund must have a bank account configuration that consists of at least an Exchequer bank account and a Paymaster General bank account, opened with an approved commercial bank in terms of the PFMA.
- b) If accounting necessitates a separate bank account, the provincial treasury may approve one sub-account within the Paymaster General account of the provincial revenue fund. Such sub-accounts remain an integral part of the bank account configuration of the provincial revenue fund.
- c) The Limpopo Provincial Government is operating in a decentralized cash management system where the Provincial Revenue Fund configuration consists of the Exchequer account as the main account of the province and individual Paymaster General Account per vote.

3.1.2. Appointment of the provincial banker

- a) It is the responsibility of the Provincial Treasury to ensure that the provincial banker is appointed and that the banking contract and Service level agreement are timely signed.
- b) Only Provincial Treasury may enter into any banking contract.

3.1.3. Opening of provincial bank accounts

- a) Each department must have its own bank account to manage its own budget and cash. Upon signing of the banking contract, treasury must open a bank account for each department/vote.
- b) Any provincial department that may need to have a sub-account must apply in writing to the provincial treasury indicating the following:-
 - i. the purpose of the account;
 - ii. sources of funds for the account; as well as
 - iii. the estimated lifespan of the account or the project for which the account is needed,
- c) When treasury has approved any such sub account and it is operational, the accounting officer of the department must ensure that there is regular reporting and auditing on the account.
- d) No department may operate any bank account that is not approved by the Provincial Treasury.

3.1.4. Maintenance of the bank accounts

- a) An Accounting Officer of every provincial department must appoint in writing, officials to deal with banking issues and submit such names to the Provincial Treasury for submission to the bank.

- b) An Accounting Officer must appoint at least 3 officials as signatories on every bank account of the department. The number of the signatories cannot exceed 4 per department. At least two of such authorized signatories must authorize any transaction including cheques, credit transfers and electronic banking transactions.
- c) An Accounting Officer must maintain the signing profile of the department where signatories must be timely withdrawn and replaced as and when necessary.
- d) The Provincial Treasury must inform the bank of signatories for each department's bank account.
- e) The MEC for Provincial Treasury must appoint 4 officials of the Provincial Treasury to sign on all departments bank accounts.
- f) The Provincial Treasury is responsible for budgeting and paying all bank charges for all provincial departments' accounts for services provided by the bank..
- g) Each department must reconcile its bank account monthly.
- h) The reconciliation reports must be submitted to the Provincial Treasury on or before the 15th of every month.

3.1.5. Closure of bank accounts

- a) The PMG bank account of the department can only be closed when the banking contract, entered into by the Provincial Treasury lapses and no department can propose closure of its PMG account.
- b) Departments must conduct the annual review of the sub-bank account to determine if the account is still necessary and the report must be submitted to the Provincial Treasury before the start of each financial year.
- c) The Provincial Treasury must inform any department in writing that has a dormant bank account for more than 6 months that such dormant account will be closed, and any available funds in the account will be transferred to the Provincial Revenue Fund, unless the affected department can convince the Provincial Treasury otherwise.

3.1.6. Control of Face Value Documents

- a) The Provincial Treasury must manage all face value documents relevant to this policy.
- b) The Provincial Treasury is the only institution that may acquire and issue face value stationery to departments in respect of this policy. Departments must only use face value documents issued by the Provincial Treasury pursuant to the implementation of this policy.
- c) Departments must submit annual consumption plans for the face value documents to the Provincial Treasury, in the prescribed format by the last day of February of each year.
- d) Departments must submit their monthly inventory reconciliations by the 15th of each month.
- e) All obsolete and redundant unused face value stationery must be returned to Provincial Treasury for disposal.

3.2. CASH MANAGEMENT

3.2.1. Forecasting

3.2.1.1. Annual Forecasting

- a) The Chief Financial Officer of every department shall submit the annual cash flow projections for the following financial year to the Provincial Treasury by end of February every year. The Provincial Treasury shall provide departments with a prescribed format for the purpose of submitting the envisaged projections, by the 15th of February.
- b) The Provincial Treasury shall consolidate the annual cash flow projections and submit to the National Treasury by the 15th of March every year..
- c) Departments shall submit the adjusted cash flow projections as directed by the Provincial Treasury after the tabling of the adjustment budget.
- d) Upon receipt of the Approved National Payment Schedule from National Treasury, the Provincial Treasury shall convene the bi-lateral meetings with departments to align their cash flow projections and issue the Provincial Payment Schedule.

- e) The Provincial Treasury must ensure that an investment policy is in place to guide the temporary investment of surplus funds.

3.2.1.2. Monthly funds requisitions and rolling forecasts

- a) The Accounting Officer must submit the monthly requisition to the Provincial Treasury at least 4 working days prior start of every month.
- b) The Provincial Treasury must give the approval of fund requisition to the department 2 working days prior start of every month.
- c) Departments cannot withdraw more than the approved funds, in terms of the original/adjusted projections, without Provincial Treasury approval.

3.2.1.3. Cash balance determination and management

- a) The Chief Financial Officer must ensure that the bank account of the department is not overdrawn.
- b) Bank reconciliation statements must be prepared on a monthly basis.

3.2.2. Disbursement of funds

3.2.2.1. Transferring of own revenue collected by the department to the Provincial Revenue Fund

- a) The departments must pay over the total revenue collected for each month in single installment on or before the 15th of the following month, except at year end (March). All revenue collected by the 25th March of every year, must be paid over by the 31st of March. Collections between the 26th and 31st March must be paid over by the 15th of April.
- b) No direct cash deposit can be made into the Exchequer Account.

3.2.2.2. Surrendering of unspent funds

- a) The department must deposit all unspent funds into the Provincial Revenue Fund annually, one working day after the system year-end closure.
- b) A detailed report indicating the surrendered amounts per fund must be submitted to the Provincial Treasury on the same day the funds are surrendered.
- c) The funds can only be surrendered from the PMG account of the department and not from any other account, e.g. Public Entity or other Agencies account.

4. AUTHORITY

This Policy shall remain the only Transversal Banking & Cash Management Policy in Limpopo Provincial Government on the subject. Provincial departments must formulate **Procedure Manuals** to give effect to the provisions of this Policy.

SECTION G

GIFTS, DONATIONS AND SPONSORSHIPS POLICY

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1. PREAMBLE

This policy seeks to ensure guidance and proper control and accounting treatment of gifts, donations and sponsorships by and to government.

2. PURPOSE

The purpose of this document is to provide a policy framework within which gifts, donations and sponsorships are managed and accounted for in provincial departments to ensure they occur in a well-controlled environment for the ultimate benefit of the Department.

3. POLICY PRONOUNCEMENTS

3.1. Granting of gifts, donations and sponsorships by departments

- a) The Accounting Officer may approve gifts, donations and sponsorships of departmental money and other movable property in the interest of the department.
- b) When such cash amounts or cash equivalent exceed R100 000 per case, the approval of the relevant legislature shall be sought.
- c) Any donation of a movable asset with the value that exceed R100 000 should only be done after an analysis has been conducted and approved by the AO to verify that the asset is no longer required for the core function of the department.

3.2. Acceptance of gifts, donations and sponsorships by departments

- a) The Accounting Officer may approve the acceptance of any gift, donation or sponsorship to the department, whether such gifts, donations or sponsorships are in cash or kind;
- b) All cash, gifts, donations or sponsorship must be paid into the relevant revenue fund except for those excluded by Treasury Regulation 21.2.5;
- c) The Member of the Executive Council (MEC) may decide how a gift, donation or sponsorship must be utilized where it is not apparent for what purpose it should be applied;
- d) When a donor or sponsor requests to remain anonymous, the Accounting Officer must submit to the Provincial Treasury a certificate from both the Public Protector and the Auditor-General, which states that the identity of the donor or sponsor has been revealed to them, that they have noted it and have no objection;

3.3. Gifts or donations of immovable property

- a) The Provincial Treasury's approval shall be obtained before a Department offers or accepts any gifts or donations of immovable property.
- b) The Department shall submit to the Provincial Treasury the reasons for and the conditions under which the gift or donation of immovable property is offered or accepted.
- c) The Department shall record all such approved gifts or donations of immovable property received or given in the asset register for reporting purposes.
- d) The immovable property received should be valued at fair value before accounting for it in the asset register if the value thereof is not known.

3.4. Gifts, donations and sponsorships in cash

3.4.1. Cash amounts less than R100 000

The following conditions shall apply to the granting of cash amounts by the Department in respect of gifts, donations and sponsorships which are less than R100 000

- a) Submissions shall be forwarded to the Accounting Officer via the Chief Financial Officer for approval and shall include the following:
 - i. Motivation - why it is in the interest of the Department to grant a gift, donation or sponsorship;
 - ii. details of the recipient of the gift, donation or sponsorship;
 - iii. the cost of the gift, donation or sponsorship;
 - iv. the benefit to the Department, if any;
 - v. the availability of funds under the applicable main and sub-division of the vote and the item to which such expenditure shall be debited; and
 - vi. Any other relevant information that would enable the Accounting Officer to decide whether or not such gift, donation or sponsorship should be granted.
- b) Once approval has been granted by the Accounting Officer payment of the relevant gift, donation or sponsorship shall be effected against the appropriate budgetary allocation.
- c) Proper record of all payments shall be maintained for reporting purposes.

3.4.2. Cash amounts exceeding R100 000

The following conditions shall apply to the granting of cash amounts by the Department in respect of gifts, donations and sponsorships which are in excess of R100 000

- a) Submissions shall be made to Provincial Treasury by the Accounting Officer to the Provincial Legislature for approval during the adjustment estimates and shall include the following:
 - i. motivation why it is in the interest of the Department to grant a gift, donation or sponsorship;
 - ii. details of the recipient of the gift, donation or sponsorship;
 - iii. the cost of the gift, donation or sponsorship;
 - iv. the benefit to the Department, if any;
 - v. the availability of funds under the applicable main and sub-division of the vote and the item to which such expenditure shall be debited; and
 - vi. any other relevant information that would enable the Provincial Legislature to decide whether or not such gift, donation or sponsorship should be granted.
- b) Once approval has been granted by the Provincial Legislature payment of the relevant gift, donation or sponsorship shall be effected against the appropriate budgetary allocation.
- c) Should there be a need to grant a gift, donation or sponsorship after the finalization of the estimate of expenditure, the amount shall be included in the Adjustments Budget for that particular financial year.
- d) Proper record of all payments shall be maintained for reporting purposes.

3.5. Gifts, Donations and sponsorships received by departmental officials

- a) Departmental officials shall adhere to Public Service Regulations, the confines of all other relevant prescripts, values when accepting any gift, donation or sponsorship.

3.6. Management Reporting

3.6.1 Annual Reporting

- a) All gifts, donations or sponsorships received and made in cash or otherwise during the course of a financial year shall be disclosed as a note to the Annual Financial Statements of the Department.

3.6.2 Quarterly Reporting

- a) The Chief Financial Officer shall submit a quarterly written report to the Accounting Officer of all gifts, donations and sponsorships made and received in cash or otherwise.

4 AUTHORITY

This Policy shall remain the only transversal Gifts, Donations and Sponsorships policy in Limpopo Provincial Government. Provincial departments shall formulate **Procedure Manuals** to give effect to the provisions of this Policy in order to regulate gifts, donations and sponsorships processes within their respective areas of operation.

SECTION H

INVENTORY MANAGEMENT POLICY

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1. PREAMBLE

The objective of this policy is to establish an effective and efficient system in the management of inventory in the Provincial Government.

2. PURPOSE

To regulate and set the framework for management on inventory.

3. POLICY PRONOUNCEMENTS

3.1 Policy Directions

This policy provides direction on how departments must:

- a) Plan Inventory Resources
- b) Procure Inventories
- c) Recognise Inventory items
- d) Manage Warehouses and Stock Rooms
- e) Conduct Stock Takes
- f) Conduct Stock Evaluations
- g) Control Inventory Losses
- h) Conduct Inventory Disposals
- i) Manage Accounting and Financial Reporting on Inventory

3.2 ACCOUNTING STANDARDS FOR INVENTORY

- 3.2.1 Accounting for Inventory Management is regulated in terms of the standards of Generally Recognised Accounting Practice for Inventories, viz. GRAP 12.
- 3.2.2 The objectives of GRAP 12 are mainly to provide for the recognition of cost as inventory asset and for the accounting treatment thereof.
- 3.2.3 GRAP 12 defines Inventories as assets
- a) In the form of materials or supplies to be consumed in the production process,
 - b) In the form of materials for distribution in the ordinary course of operations,
 - c) Held for sale or distribution in the ordinary course of operations, or
 - d) In the process of production for sale or distribution.
- 3.2.4 Inventories shall be recognised as a non-current asset if, and only if it is probable that associated future economic benefits or service potential will flow to the department, and that the cost thereof can be measured reliably.
- 3.2.5 Where costs apply, inventories shall be measured at the lower of cost and net realisable value.
- 3.2.6 Where costs apply, inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- a) Distribution at no charge or for a nominal charge; or
- b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge

3.2.7 The cost of inventories shall comprise all costs of purchase, conversion and of bringing them to their present location and condition.

3.2.8 The cost of agricultural produce inventories harvested from biological assets are measured on initial recognition at fair value less estimated point-of sale costs at the point of harvest.

3.2.9 Except where inventories of items not ordinarily interchangeable or segregated for specific projects apply, the Limpopo Provincial Government adopts the First-in, first-out (FIFO) and the Weighted Average cost formulae for assigning costs to inventories as follows:

- a) FIFO formula shall apply on perishable inventories.
- b) Weighted Average formula shall apply on non-perishable inventories.

3.2.10 A department shall consistently use the same cost formula for all inventories having similar nature and use or Inventory Class.

3.2.11 A department shall NOT change a cost formula from any Inventory Class to the other or adopt any other cost formula other than those provided in this policy without a written Provincial Treasury Authority.

3.3 RESOURCE PLANNING

3.3.1 Stores Facilities

3.3.1.1 Inventories shall be kept in a warehouse or store in order for efficient management and safeguarding.

3.3.1.2 For the purpose of effective, efficient and transparent **systems of financial management** and **internal control**, the warehouse or store facility arrangement should provide for at least, the following three arm-length functions:

- a) Receipts or Transit-In Section
- b) Storage Management Section
- c) Distribution or Transit-Out Section

3.4 Inventory Planning and Budgeting

3.4.1 The Stores Register shall provide the basis for the Annual Inventory Planning and Budgeting.

3.4.2 Although programme managers might need to effect changes to accommodate specific needs in the Annual Inventory Plan, care should be taken to ensure that economic order quantity, stock levels and reorder points are not compromised.

3.5 PROCUREMENT

3.5.1 The procurement of inventories is the process of acquiring inventories from outside suppliers.

- 3.5.2 Inventories may be acquired through the transfer process from other departments or accepted as donations from other sources.
- 3.5.3 The procurement of inventories shall be done to replenish stock-levels or to address specific demands.
- 3.5.4 When inventories are procured, due consideration must be paid to the following:
- a) Need analysis
 - b) Alternative source of supply
 - c) The acquisition process
 - d) Availability of storage
- 3.5.5 In order to maintain an effective, efficient and economic Inventory Management in a department or institution, it is imperative to have a centralised budgeting system for inventories.
- 3.5.6 For all inventories which are a subject of replenishment of stock-levels, the procurement thereof shall be initiated by the Inventory Management Unit.
- 3.5.7 Procurement for Just-In Time (JIT) inventories meant to address specific needs shall be budgeted for and initiated by the programme managers after consultation with the Inventory Management Unit.

3.6 WAREHOUSE AND STOCKROOM

3.6.1 Stores Register

- 3.6.1.1 An Item Record/register shall be opened and maintained for all inventory items.
- 3.6.1.2 Manual or computerised records for each item of inventory should include the following:
- a) Inventory operation (name, number and location of warehouse/stockroom).
 - b) Item code.
 - c) Item description.
 - d) Class of inventory (A, B, C etc).
 - e) Item location (shelf, bin, etc).
 - f) The inventory's authorised responsible person.
 - g) Unit of issue.
 - h) Consumption history for each financial year.
 - i) Supplier.
 - j) Lead time days (number of days between order and delivery).
 - k) Lead time quantity (units that will be issued during lead time)
 - l) Safety stock quantity.
 - m) Minimum stock quantity.
 - n) Maximum stock quantity.
 - o) Reorder point quantity (level of stock which when reached an order must be placed).

- p) Reorder quantity (quantity to be ordered when reorder point is reached).
- q) Quantity on hand per inventory records.
- r) Valuation method (FIFO or WA).
- s) Unit price of quantity on hand.

3.6.2 Storage

- 3.6.2.1 Warehouses/stockrooms shall be divided into rows, racks (shelves) and bins for effective and economical packing of inventories.
- 3.6.2.2 The numbering of rows and racks should be sequential and where possible be from left to right and from the bottom to the top to allow for additional racks.

3.6.3 Safeguarding and preservation

- 3.6.3.1 Inventories shall be arranged in such a way that they will facilitate easy access for checking and minimise damages.
- 3.6.3.2 Storage should comply with municipal by-laws and regulations.
- 3.6.3.3 Explosives, poisonous and inflammable substances should be stored separately and away from the rest of the inventories.
- 3.6.3.4 Access to warehouse/stockroom should be limited to authorised officials.
- 3.6.3.5 Warehouse/stockroom should have adequate physical security to mitigate risks of losses/theft.

3.7 Stocktake

Stocktaking is a process of physical verification of stock items in the warehouse/stockroom in terms of quantity, value, use and condition as reflected in the stock records.

3.7.1 Frequency of Stocktake

- 3.7.1.1 The stock-take of the department should be conducted quarterly per financial year.
- 3.7.1.2 The stock-take must be conducted and completed for each warehouse/stockroom within five working days of the end of each quarter.

3.7.2 Stocktake Teams

- 3.7.2.1 Stocktaking team/s should be appointed in writing by the Accounting Officer or his/her delegate.
- 3.7.2.2 The appointment of the Stocktaking team/s must be completed by the end of March of each year.
- 3.7.2.3 It is the responsibility of the Head of Inventory Management Unit in conjunction with the Chief Financial Officer in a department to initiate the appointment of Stocktaking team/s.
- 3.7.2.4 The chairperson and secretary of the stocktaking team must be knowledgeable in Inventory Management processes.
- 3.7.2.5 The warehouse/stockroom officials must not be appointed as a member of the stocktaking team but may be requested to give advice regarding inventory management.
- 3.7.2.6 The minimum period of operation of the stocktaking teams will be at least two consecutive financial years.

3.7.3 Stocktake outcomes.

3.7.3.1 On completion, the Stock-take team must compile a Stock-take Report for each Warehouse/Stockroom reflecting the following:

- a) The name and location of the Warehouse/Stockroom.
- b) The date or period of the Stock-take project.
- c) The name and contact details of the Head of the Warehouse/Stock-room.
- d) A reconciliation of the floor to the Stock Register.
- e) Condition of the inventory items.
- f) Probable root causes of deficiencies reflected in the reconciliation.

3.7.3.2 The Stock-take Report should offer recommendations on internal controls, facilities, as well as on items to be disposed.

3.7.3.3 The Stock-take Report should be approved by the Accounting Officer or his/her delegate.

3.7.3.4 All deficiencies shall be investigated and the finalisation thereof should be reported to the Accounting Officer within a period of one month after the date of submission of the stocktaking report.

3.7.3.5 Only the approved Stock-take Report shall serve as an authority to effect changes to address deficiencies identified in the Stock Register.

3.8 INVENTORY MANAGEMENT TECHNIQUES

3.8.1 Inventory Management Techniques are necessary to demonstrate accountability, improve transparency and credibility of information and ensure that the management of public resources is both efficient and economical.

3.8.2 In order to be effective, efficient and economical in the management of inventory resources, it is imperative to determine quantities of inventory to be held and set the reorder levels for each stock item.

3.8.3 The Economic Order Quantity (EOQ) model shall be used to determine the most economic or cost efficient order quantity.

3.8.4 Since the EOQ holds that the Total Annual Inventory Cost (TAIC) is equal to the sum of the purchase cost, holding cost and order cost, it is necessary that each warehouse/stockroom should determine same in respect of each inventory type.

3.8.5 The lowest optimal order quantity shall be determined using the formula:

$$EOQ = \sqrt{(2 \times D \times O) / H}$$

*Where D = Annual stock demand
O = Cost of placing one order
H = Holding cost per unit*

3.8.6 The Total Annual Inventory Cost (TAIC) for each inventory type shall be determined using the formula:

$$TAIC = APC + AHC + AOC$$

*Where APC = Annual Purchase Cost = Price x Demand
AHC = Annual Holding Cost = (EOQ / 2) x Holding Cost*

$$AOC = \text{Annual Order Cost} = (\text{Demand} / \text{EOQ}) \times \text{Cost of placing an order}$$

- 3.8.7 A safety stock should be held to reduce chances of stock out and interruption in service delivery.
- 3.8.8 A reorder point should therefore be determined as the lowest stock at which an order must be placed to avoid a stock out.
- 3.8.9 The formula to determine the reorder level shall be:

$$\text{Reorder Point} = (D/Y) \times L$$

Where D = Demand
 Y = Number of operational days per year
 L = Order lead time

- 3.8.10 It is recommended that some of the following controls are considered, over and above the EOQ model, to eliminate or reduce variance between actual physical stock and recorded stock and also to accord specific stocks attention they deserve:
- Coding of items to uniquely identify groups of stock items to facilitate tracking of stocks.
 - ABC control to manage inventory which splits into groups on the basis of their needs in relation to management decisions.
 - Just-in-time control to manage stocks that are required for emergency purposes and get delivered directly to jobs and projects immediately as they are required.
 - Hybrid stock-take to manage stocks which require specific closer management attention due to their nature.

3.9 LOSS CONTROL

- 3.9.1 Loss occurs as a result of pilferage, damage, withering, evaporations or *vis major*.
- 3.9.2 The Inventory Management Unit shall report in writing to the CFO through the Head of Unit, a loss on any inventory item within a day of recognizing such a loss.
- 3.9.3 The CFO shall report the loss to the Internal Risk Control unit for investigation.
- 3.9.4 Only a final report from the Internal Risk Control unit, duly authorised by the Accounting Officer shall serve as the authority to update the Stock Register in respect of any loss.

3.10 DISPOSALS OF INVENTORY ITEMS

- 3.10.1 The department shall dispose items of inventory in a fair, equitable, transparent, competitive and cost effective manner.
- 3.10.2 Disposal of inventory shall be fully accounted for in the department's financial statements.
- 3.10.3 Inventories may be disposed due to, amongst others the following reasons;
- Surpluses stock,
 - Under-performing items, i.e. inventories may no longer support the department's service objective.
 - Unserviceable items,

- d) Redundancy /obsolescence
- 3.10.4 The Accounting Officer of a department shall appoint in writing, a Disposal Committee whose responsibility shall be to make an assessment on all warehouses and stock rooms annually and make informed recommendations about stocks to be disposed and methods of disposal thereof.
- 3.10.5 The Disposal Committee shall work in conjunction with the department's Inventory Management Unit whose main responsibility shall be to coordinate the disposal process.
- 3.10.6 The disposal Committee shall, before making a recommendation for disposal conduct a comprehensive examination and economic appraisal within an integrated planning framework that takes into consideration service delivery needs, institutional objectives, financial and budgetary constraints and the Government's overall resource allocation objectives.
- 3.10.7 The departments must draw an annual Disposal Plan /schedule indicating the following;
- a) A list of inventories to be disposed
 - b) The rationale for the disposal
 - c) The anticipated time and method of disposal
 - d) The expected proceeds on disposal.
- 3.10.8 The **Inventory Register** must form the basis for Disposal Plan as it carries records of all inventories and need to be updated with regard to decisions affecting inventory items.
- 3.10.9 The Inventory Management Unit must, prior disposal, ensure that inventories ring-fenced for disposal do not contain materials that are not intended for disposal.
- 3.10.10 The types of materials which must be removed from inventories ring-fenced for disposal include, but are not limited to:
- a) Stationery—particularly printed stationery, which could be misused, or used for fraudulent purposes;
 - b) Software, the unauthorised movement of which could breach license agreements;
 - c) Classified information contained in hard or floppy disks;
 - d) Records, files, papers or whiteboards containing information which, if disclosed, could breach privacy legislation, and/or cause embarrassment or problems for the disposing institution; and
 - e) Hazardous stores (which includes items of plant), the transfer of which could create legal liabilities.
- 3.10.11 The following are the disposal methods which may be used by the department
- a) Public tender;
 - b) Price quotations;
 - c) Public auction; and
 - d) Transfer to another Department
- 3.10.12 **Sale By Auction-** where auctioneering is considered, the department shall make use of a provincial auctioneering contract arranged from time to time by the Provincial Treasury to dispose inventories.

- 3.10.13 Sale through Price Quotations or Tender (Competitive Bidding) may be considered in selling, amongst others, high value inventories, unusual or technical inventories, inventories located in rural areas and inventories that have a geographically dispersed potential market.
- 3.10.14 Sale through price quotations may be used for inventories that have been unsuccessful on tender, that are valued at less than the cost of disposal through bidding processes, are no longer functional but have re-usable parts/ components which may still have value (scrap) or it is proven that they will not attract bidders.
- 3.10.15 Disposal of Intellectual Property- where intellectual properties are involved consideration should be paid to ensure that the rights of the intellectual property owners are properly protected and that any financial benefit arising from these developments is optimised for the benefit of their department.
- 3.10.16 Sale through Private Treaty Agreement – where this method is adopted an independent institution value the inventories to avoid the perception of corrupt /improper practices.
- 3.10.17 Disposal through Recycling – where this method is considered, the services of service provider should be sought.
- 3.10.18 Disposal of hazardous, poisonous or pollutant items – where these items are involved, controlled dumping method should be used through the services of a service provider in consultation with the relevant institutions exercising outmost care to ensure that there are no health risks to employees, members of the public or the environment.
- 3.10.19 Donation to Charitable or Work Creation Organisations – where disposal through donation is considered, community, charity or work creation organisations should receive equitable treatment in the applicants who submit proposals for the removal of unserviceable goods.
- 3.10.20 All donations to charities, Non-Governmental Organisations, and Community Based Organisations must be approved by the Member of the Executive Council (MEC) for the Provincial Treasury.
- 3.10.21 Destruction, Decommissioning, cannibalization, Dumping or burying –these methods shall be undertaken when it is uneconomical to dispose the items through any other means.

3.11 Removal from the Inventory/ Stock Register

- 3.11.1 All items disposed shall be removed from the Inventory / Stock Register within seven working days of the disposal date.

4. ACCOUNTING AND REPORTING

- 4.1 Disclosures with regard to Inventory management shall be done in terms of the norms and standards and on templates prescribed by the Provincial Treasury.
- 4.2 The financial statements on Inventory Management shall disclose the following:
- a) The accounting policies adopted in measuring inventories, including the cost formulae used per the Inventory Class.

- b) The total carrying amount of inventories per the Inventory Class.
- c) The carrying amount of inventories per Inventory Class, carried at fair value less cost to sell.
- d) The amount of inventories per Inventory Class, recognised as an expense during the period.
- e) The amount of inventories per Inventory Class, written-down and recognised as an expense.
- f) The amount of any reversal or write-down, per Inventory Class, that is recognised as an expense.
- g) The carrying amount.

4.3 The Inventory Management Unit (IMU) in a department shall, on monthly basis prepare and lodge an inventory management report to Provincial Treasury on a prescribed template together with the relevant supporting schedules.

4.4 The Inventory Management Report shall be compiled after reconciliation has been carried out on assertions in the financial reports using the prescribed Inventory Reconciliation Form (IRF).

4.5 All assertions in both the IMR and the IRF shall be substantiated by the relevant Registers and source documents.

5. INVENTORY MANAGEMENT FORUM

5.1 The Inventory Management Forum (IMF) shall be established in Limpopo Provincial Treasury to play an oversight role on all Inventory Management activities in the province.

5.2 The IMF shall be regulated in terms of the Terms of Reference by the Provincial Technical Committee on Finance, the PFMA and Norms and Standards by treasury.

6. AUTHORITY

This Policy shall remain the only Inventory Management Policy in Limpopo Provincial Government on the subject of Inventory Management.

Provincial departments shall only formulate Inventory Procedure Manuals to give effect to the provisions of this Policy in order to regulate Inventory Management processes within their respective areas of operation.