



# LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

## PROVINCIAL ASSET MANAGEMENT POLICY

**EFFECTIVE DATE: 03 SEPTEMBER 2008**

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## 1. PREAMBLE/INTRODUCTION

- 1.1. 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.
- 1.2. 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.
- 1.3. In the pursuit towards the attainment of service delivery objectives, resources e.g. tangible and intangible assets are acquired.
- 1.4. 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.
- 1.5. 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.
- 1.6. Public sector accounting is geared to encompass greater transparency and

accountability towards the public at large through the disclosure 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.

- 1.7. 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.
- 1.8. 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.

## **2. PURPOSE**

- 2.1. 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.
- 2.2. The Policy prescribes to provincial departments and entities 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.
- 2.3. The Policy prescribes the basis for the accounting treatment for property, plant and equipment so that users of financial statements can discern information about the province's investment in Non-Current Assets.
- 2.4. Policy does not replace any acts, regulations or prescripts by National Treasury, which are still in force in respect of Asset Management.

### 3. Business Areas Impacted

Name Business Unit / Area	Context and Relevance
All Employees	Provincial Asset Management Policy impacts on every employee of Limpopo Provincial Government who uses any type of a non-current asset belonging to Government and its entities.
All Business Areas	Provincial Asset Management Policy impacts on every Department, Entity, Business Unit, Cost Centre, Responsibility Area, Institution, etc of the Limpopo Provincial Government entrusted with the use of any type of a non-current asset belonging to Government and its entities.

## 4. POLICY PRONOUNCEMENTS

### 4.1. LEGISLATIVE FRAMEWORK AND ACCOUNTING STANDARDS

4.1.1. **Section 216** of the Constitution of the Republic of South Africa (**Act 108 of 1996**), provide for the establishment of a National Treasury which must prescribe measures to ensure that there is both transparency and expenditure control in each sphere of government through the introduction of Generally Recognized Accounting Practice (GRAP), uniform expenditure classification and uniform Treasury Norms and Standards.

4.1.2. **PFMA Act 1 of 1996** (as amended by the Act 29 Of 1999) **section 17** provides for the establishment of Provincial Treasury which shall have the following functions and powers:

- (a) **Section 18 (1) (c)**: Promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities;
- (b) **Section 18 (2) (b)**: Enforce the Act and any prescribed national and provincial norms and standards, including any prescribed standards of generally recognized accounting practice and uniform classification systems, in

provincial departments;

- (c) **Section 13 (2) (e):** Assist provincial departments and provincial public entities in building their capacity for efficient, effective and transparent financial management;
- (d) **Section 18 (2) (f):** Investigate any system of financial management and internal control applied by a provincial department or a provincial public entity.
- (e) **Section 18 (2) (i):** Do anything further that is necessary to fulfill its responsibilities effectively.

**4.1.2.1. Section 36 of the PFMA Act 1 of 1996 (as amended by the Act 29 Of 1999)**

provides for the appointment of an Accounting Officer who shall have the following responsibilities:

- (a) **Section 38 (1) (b):** The effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;
- (b) **Section 38 (1) (d):** Manage, including the safeguarding and maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution;
- (c) **Section 38 (1) (h) (i):** Take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who contravenes or fails to comply with the provision of this Act.
- (d) **Section 40 (1) (a):** Keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.
- (e) **Section 40 (1) (b):** Prepare financial statements in accordance with any prescribed norms and standards.
- (f) **Section 41:** Submit to the relevant treasury or Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or Auditor-general may require.
- (g) **Section 42 (1) and (2):** In a case of transfer of assets and liabilities; draw up and sign an inventory thereof; and provide the accounting officer of the

receiving department or other institution with substantiating records; and file a copy of the signed inventory with the relevant treasury and the Auditor-General **within 14 days** of the transfer.

**4.1.2.2. Section 45 of the PFMA Act 1 of 1996 (as amended by the Act 29 Of 1999)**

places responsibilities on every official of government department, constitutional institution or trading entity to:

- (a) carry out within his or her area of responsibility the system of financial management and internal control established for the department, constitutional institution or trading entity,
- (b) shoulder responsibility for the effective, efficient, economical and transparent use of financial and other resources within his or her area of responsibility;
- (c) manage, including the safeguarding, of the assets and the management of the liabilities within his or her area of responsibility.

**4.1.2.3. Treasury Regulation Section 10 gives effect to:**

- (a) **PFMA Section 38 (1) (d)** that the accounting officer of an institution must:
  - (i) take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse; and that stock levels are at an optimum and economic level;
  - (ii) ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution's assets;
- (b) **PFMA Section 76 (2) (i)** provides for the relevant treasury to exercise all powers, authority and prerogatives to fulfill any obligation on behalf of the state.



4.1.2.4. **Provincial Treasury Instructions on Supply Chain Management** provides in:

- (a) **Section 3** for the establishment of a Supply Chain Management Unit in each department, which must perform some of the following functions:
  - (i) demand, Acquisition, Logistics and Disposal management of goods and services for and on behalf of the department/institution;
  - (ii) any other functions the accounting officer may delegate to or instruct an official in order to ensure the effective and efficient utilization of provincial assets.
- (b) **Section 6** for the Disposal Management to:
  - (i) Do obsolescence planning for assets
  - (ii) Keep a database of redundant and obsolete assets
  - (iii) Inspect assets for potential re-use
  - (iv) Determine Asset Disposal Strategy
  - (v) Carry out the physical disposal of obsolete assets.

4.1.2.5. **Accounting Standards**

4.1.2.5.1. The Accounting Standards Board has approved the application of Statements of Generally Acceptable Accounting Practice (GAAP) as codified by the South African Institute of Chartered Accountants to be the Generally Recognized Accounting Practice (GRAP) for national and provincial departments, public entities, constitutional institutions, municipalities, parliament and provincial legislatures. Full effect of the provisions of GAAP AC 123 is given by GRAP and Generally Accepted Municipal Accounting Practice (GAMAP) as prescribed by this Policy.

4.1.2.5.2. South African Generally Recognized Accounting Practice Statement 17 (**GRAP 17**) provides that:

- (a) **P.11:** An item of property, plant and equipment shall be recognized as an asset when it is probable that its associated future economic benefits or service potential will flow to the entity; and that the cost or fair value of the asset to the entity can be reliably measured.

- (b) **P.70:** The carrying amount of an asset shall be derecognized on disposal or when no future economic benefits or service potential are expected from its use or disposal.
- (c) **P.05:** The GRAP standard shall be applied to property that is being constructed or developed for future use.
- (d) **P.23:** An asset acquired at no cost, or for a nominal cost shall be valued at fair price as at the date of acquisition.
- (e) **P.38:** After passing the recognition criteria, an asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
- (f) **P.39:** Asset revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.
- (g) **P.49:** An increase on the asset value as a result of revaluation, shall be credited directly to Revaluation Surplus to the extent of any debit balance existing in the revaluation surplus in respect of the same asset.
- (h) **P.50:** A decrease on the asset value as a result of revaluation, shall be debited directly to Revaluation Surplus to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.
- (i) **P.71:** The depreciation method applied to assets shall be reviewed at least at each reporting date, and where changes are effected as a result of significant change in the expected pattern of economic benefits or service potential from the asset, the change shall be accounted for as a change in accounting estimate.
- (j) **P.74:** Compensation from third parties for assets that were impaired, lost or given up shall be included in the surplus or deficit when the compensation becomes receivable.
- (k) **P.80:** The Gain or Loss arising from the derecognition of an asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

4.1.2.5.3. South African Generally Accepted Municipal Accounting Practice Statement 1 (GAMAP 1) provides that:

- (a) **P.68:** An asset is classified as non-current when it does not satisfy the characteristics of a current asset, that is, it is NOT
- i. expected to be realized, held for sale or consumption in, the entity's normal operating cycle;
  - ii. held primarily for purpose of being traded;
  - iii. expected to be realized within twelve months after the reporting date
  - iv. Cash or a cash equivalent asset.
- (b) **P.17:** Assets should be further classified in order to develop a benchmark accounting treatment to assist in the measurement of assets and the understanding of the nature of the assets included as property, plant and equipment.

## **4.2. ASSET MANAGEMENT PROCESS**

4.2.1. 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.

4.2.2. It embraces the following inter-related processes or phases:

- Planning and Budgeting;
- Acquisition;
- Asset Identification;
- Transfers;
- Accountability;
- Operation and Maintenance;
- Disposal and
- Accounting

4.2.3. Each department or entity shall annually draw a plan for each of the Asset Management process or phases stated in 4.2.2. above.

### 4.3. ASSET PLANNING

- 4.3.1. 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.
- 4.3.2. Asset Planning shall be the process through which the asset requirements of a department or entity are matched to its service delivery requirements.
- 4.3.3. The Asset Planning Framework model to be undertaken and adopted by departments and entities 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.
- 4.3.4. The department, entity or institution must prepare the Annual Asset Plan incorporating inputs from the end-users and the Asset Management Officials.
- 4.3.5. Department or entity's asset management plans; decisions and activities must be fully integrated with the Governments planning processes, including the department's business plans.
- 4.3.6. 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.
- 4.3.7. Departments must continue to verify service needs throughout the planning process.
- 4.3.8. When estimating the useful life of asset, planned maintenance of the asset should also be considered during the planning stage.
- 4.3.9. 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, Role of Assets in programme delivery, Life-cycle costing, Accountability and Responsibility and Alternatives.
- 4.3.10. The output of Asset Management Planning shall be the Asset Planning Strategy.

- 4.3.11. Department's or entity'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.
- 4.3.12. 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.

#### **4.4. BUDGETING**

- 4.4.1. 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.
- 4.4.2. Asset Budgeting must be conducted to include the asset life cycle stages, i.e. Acquisition, Operation, Transfers, Maintenance and Disposal.
- 4.4.3. It is the responsibility of the cost centre managers to communicate the Asset Budgeting Strategy to the Asset Management Unit within a provincial department or entity.

#### **4.5. ACQUISITION**

- 4.5.1. The decision to acquire asset shall be informed by both the Asset Planning Strategy and Asset Budgeting Strategy.
- 4.5.2. Alternatives to Asset Acquisition:
- (a) The three methods that should be considered by government to acquire assets are Buying, Building or Construction.

- (b) Unless approved by Provincial Treasury, no assets shall be acquired using Financial Lease.

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.

4.5.3. 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.

4.5.4. 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.

4.5.5. Asset Acquisitions shall be documented in an Acquisition Plan.

4.5.6. 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 or entity 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.

#### 4.5.7. Acquisition of other assets

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.

#### 4.5.8. 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
- e) 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.
- f) 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.
- g) Repair or maintenance of existing assets must not be capitalized on an Asset

Register.

- h) Periodic reporting for assets shall include capital projects work-in-progress (WIP) as well as the completed capital assets.

4.5.9. Hire versus Buy - The Limpopo Provincial Treasury does not encourage the acquisition of assets through Hiring/Renting/Operating Lease.

4.5.10. Recognition of asset

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

4.5.10.2. An asset to be recognized in terms of 4.5.10.1 above 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 cost that can be reliably measured.

4.5.11. 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) Fixed or Immovable

- (ii) Tangible or Corporeal
  - (iii) Intangible or Incorporeal
  - (iv) Non-fixed or Movable
  - (v) Primary and Secondary
- (b) Current assets must not be capitalized on Asset Register as they have an expected short life due either to an inherent feature (e.g. perishable goods) or because they will be converted into cash or another asset or consumed within the entity within a short timeframe (e.g. deposits, investments, raw materials or inventory, cash and cash equivalents, and debtors).
- (c) Non-Current Assets shall be those that have an extended useful life greater than one year, e.g. motor vehicles, computer equipment, etc.
- (d) Non-Current Assets shall be capitalized on Asset Register to an extent that they pass the recognition test.
- (e) 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.
- (f) 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 the International Accounting Standard Committee (IASC), local Accounting Standard Board (ASB) or Classification standards by the National Treasury.
- (g) The asset's useful life or lifespan shall be determined by or be built into the Asset Classes.
- (h) Each asset class shall be an element of the PPE Asset Categories.
- (i) Asset Classification for the Limpopo Provincial Government shall be done to minimally comply with the Depreciation Table of National Treasury's Asset Management Learner's Guide as adopted and summarized for the Limpopo Provincial Government on "Annexure B" of this Policy.

- (k) 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.
- (l) On approval from Provincial Treasury, a department or entity may bulk a group of assets as Toolbox Assets on one asset in the Asset Registers due to their nature e.g. Workshop equipments, toolbox for technicians and mechanics, etc.
- (m) The replacement of worn out, damaged or lost Toolbox Asset items shall be strictly done through the Current Expenditure.
- (n) 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.

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

- (a) supplier;
- (b) reference;
- (c) model;
- (d) manufacturer;
- (e) barcode / asset number;
- (f) programme;
- (g) restrictions;
- (h) heritage, cultural and historical asset "identifier";
- (i) capacity;
- (j) residual / useful life or lifespan;
- (k) warranties or guarantees;
- (l) measures;
- (m) condition;
- (n) residual value; and
- (o) replacement value

## **4.6. OPERATIONS AND MAINTENANCE**

- 4.6.1. 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.
- 4.6.2. The Accounting Officer of a department or entity shall be responsible for the cost of using assets in the programme delivery and for the performance of those assets in achieving programme objectives.
- 4.6.3. Departments and entities shall establish and maintain management processes to regularly monitor and assess the assets under their control.
- 4.6.4. 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.
- 4.6.5. 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.
- 4.6.6. 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.
- 4.6.7. The supervisor or cost centre owner of an employee whose services are being or have been severed 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.
- 4.6.8. Departments and entities 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.
- 4.6.9. Departments and entities shall be responsible to ensure that assets' physical existence and conditions thereof are verifiable against the Asset Register.

- 4.6.10. A department or entity 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.
- 4.6.11. Programme/cost centre managers shall be responsible for ensuring that the annual or revised Operations and Maintenance Plan for the department or entity, and any activity that affects the condition of an asset is communicated to the Asset Management Unit in the department or entity.
- 4.6.12. 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.
- 4.6.13. Programme/ cost centre managers shall continually apply mechanisms to improve the asset's utilization, re-deploy it or consider alternative uses for the asset in order to maximize the asset's service delivery output during its useful life.

- 4.6.14. Programme/ cost centre managers shall periodically evaluate the financial performance of an asset to determine its current economic services viability and project economic return of the asset or portfolio over its remaining useful life.
- 4.6.15. Accounting for Operations and Maintenance.
- 4.6.15.1. In terms of GAAP AC423 Statement on Property, Plant and Equipment, subsequent expenditure on assets such as repairs or maintenance that restores or maintains the future economic benefits that an enterprise can expect from the originally assessed standard of performance of the asset, should be recognized as an expense (current expenditure) in the period in which it is incurred.
- 4.6.15.2. 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.
- 4.6.16. Programme managers/cost centre owners shall continually bring to the attention of the Asset Management Unit in the department or entity information regarding any damaged, unserviceable, obsolete or redundant assets which are to be ring-fenced for disposal.

#### 4.7. **ASSET TRANSFERS**

- 4.7.1. Asset Transfer shall be the process through which an asset is moved between cost centres, locations, users/holders and departments within the Limpopo Provincial Government Asset Register.
- 4.7.2. An asset movement shall only be treated as a transfer only if its transfer destination remains within the Limpopo Provincial Government Asset Register, otherwise it shall be treated as a disposal with or without realization value.

- 4.7.10. It is a punishable offence that befits criminal charges to transfer assets in and out without proper authorization, notifying the Asset Management Unit of the department or entity or updating the Asset Register.
- 4.7.11. Asset Transfers involving property and plant shall be strictly authorized by the Accounting Officer/ Head of Department/Entity.
- 4.7.12. Movement of assets between locations, workstations and users:
- (a) The person requesting that assets be moved between locations, workstations, users, etc for use or repairs must lodge a "Request to Move Assets Form" with the relevant Asset Controller.
  - (b) Both the Transferring and Receiving Asset Controllers must recommend and obtain approval from the respective heads of divisions.
  - (c) The approved "Request to Move Assets Form" must be signed by both the transferor and transferee, and copies thereof must be submitted by both Asset Controllers to their respective Asset Administration Officers on the same day the assets are moved.

#### 4.8. ASSET VERIFICATION

- 4.8.1. 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.
- 4.8.2. The Limpopo Provincial departments and entities shall conduct a mandatory Main Asset Verification to verify all assets acquired by the departments or entities whether contained in the Asset Register or not, on the 31<sup>st</sup> December each year.
- 4.8.3. The Chief financial Officer shall designate, in writing, a competent independent Asset Verification Team to perform Asset Verification and report their findings for the whole department or entity.

invite the Provincial Asset Management in Treasury at least **one week** before disposal, to conduct a Pre-Disposal Audit.

4.9.11. All assets ring-fenced for disposal must have been registered in the Asset Register before disposal.

4.9.12. The Provincial Asset Management in Treasury reserves the right to demand compliance with the Act, Policies, Procedures and applicable standards before assets disposal can be executed.

4.9.13. The Asset Management Unit of the department or entity shall update the Asset Register with regard to disposed assets, strictly in the month in which the assets disposal took place.

4.9.14. The department or entity shall, upon disposal of assets, lodge a Disposal Report on all assets disposed and details of proceeds thereof, with Provincial Asset Management.

4.9.15. Unless otherwise expressly provided for in any other law, a decision to dispose of immovable property shall vests in the Department of Public Works.

4.9.16. All proceeds received from sale of assets by a department or entity must be paid daily into the Provincial Revenue Account (PRA).

#### **4.10. ASSET VALUATION**

4.10.1. The carrying value of an asset in the Asset Register at any given time shall be recognized as the total original purchase price after accounting for depreciation, impairment and revaluations.

4.10.2. The total original purchase price shall be determined using the historical cost, replacement cost, realizable value or present value.

- 4.10.3. Where no acquisition documents are available to support cost, historical assets shall be valued through the services of professionally qualified evaluator or sworn appraiser.
- 4.10.4. All historical assets must be appropriately marked as such in the Asset Register and be separately reported on in order to enhance financial reporting on assets.
- 4.10.5. An historical asset shall assume its useful life from the day in which it is recorded in the Asset Register.
- 4.10.6. The use of existing matrix and or model for the valuation of infrastructure assets should be utilized and adapted where necessary to assist in the process of establishing value.
- 4.10.7. Each asset in the Asset Register shall be amortized during its useful life using straight line method, unless Provincial Asset Management Treasury approves otherwise.
- 4.10.8. An asset acquired at a value less than R5000 shall be fully depreciated in the month of acquisition and be carried on the Asset Register at a zero Net Book Value.
- 4.10.9. The depreciation rates adopted by the Province shall be the minimum rate for each asset class in terms of National Treasury Asset Management Learner's Guide as indicated in "Annexure B" hereof.
- 4.10.10. The depreciation rates shall be programmed in the electronic Asset Register module per Asset Class to amortize the assets accordingly.
- 4.10.11. No asset valuation shall be done outside the Provincial Asset Register.
- 4.10.12. A department or entity shall formulate an annual Asset Revaluation Plan which shall be used to regulate the revaluation of assets.

4.10.13. The three valuation methods which shall be applied are the Open Market Value, Market-based Value and the Depreciated Replacement Cost.

4.10.14. Asset revaluation shall amount to a write-up or write-down of the value of the remaining useful life of an asset.

4.10.15. Asset Revaluation shall be approved by the Accounting Officer of the department or entity and a copy of the Revaluation Report shall be lodged with the Provincial Asset Management.

#### **4.11. ASSET MANAGEMENT UNIT STRUCTURE**

4.11.1. The Asset Management Unit in a department or entity shall fall and be managed under the Chief Financial Officer component.

4.11.2. The Asset Management Unit shall operate distinctively as a sub-directorate.

4.11.3. The Unit shall be headed by a suitably qualified and experienced official at a level not below that of a Manager who shall automatically be a member of the Provincial Asset Management Forum (AMF).

4.11.4. The Unit shall have the powers to carry out all Asset Management activities, demand support and report violation of any Act and of the Asset Management Policies and Procedures within the department, entity or institution.

4.11.5. The Chief Financial Officer or his/her delegate must in writing designate at least a responsible employee to act as an Asset Manager for the purposes of general administration and control, which includes, *inter alia* the:

- (a) Establishment, supervision and maintenance of an Asset Register.
- (b) Supervision of the accounting of all assets in the Asset Register.
- (c) Movement of assets.

## 5. AUTHORITY

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

Provincial departments and entities 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.

## 6. COPY RIGHTS

No part of this Policy may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, in any network, electronic storage or transmission without the prior consent of the Limpopo Provincial Treasury: Provincial Asset Management.

## 7. IMPLEMENTATION DATE

This Policy is effective from date of approval.

## 8. AMENDMENT DATE

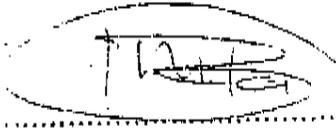
This policy may be amended, in writing, by Treasury in consultation with departments as and when necessary.

## 9. TERMINATION

This policy will be terminated upon the inception of a new policy.

10. APPROVAL

Reviewed by

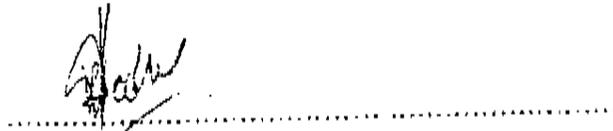


2008/09/03

OFFICE OF THE ACCOUNTANT GENERAL  
LIMPOPO PROVINCIAL TREASURY

DATE

Recommended by

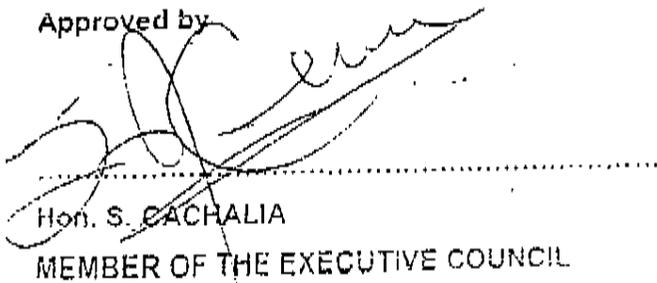


2008/09/03

MR. R. W. N. TOOLEY  
HEAD OF DEPARTMENT  
LIMPOPO PROVINCIAL TREASURY

DATE

Approved by

  
Hon. S. CACHALIA  
MEMBER OF THE EXECUTIVE COUNCIL

03/09/2008

DATE

22. ANNEXTURE A

## 22. 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
A2. BUILDINGS	<b>A2.1. Residential</b>					
	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
	Mobile Homes	120	2224	BUILDING	RESBUILD	RESMOBIL

**B. INFRASTRUCTURAL ASSETS (2058)**

DESCRIPTION	LIFESPAN (Months)	SCCA	CAT	SUBCAT	ASSET CLASS
<b>B1. Electricity (2059)</b>					
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	ELETRIC
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
<b>B2. Roads (2060)</b>					
Bridges- Pedestrian	300	2264	INFASSET	ROADSIII	ROADBRIDG
Bridges- Railway	300	2265	INFASSET	ROADSIII	ROADBRIDG
Bridges- Vehicle	300	2263	INFASSET	ROADSIII	ROADBRIDG
Culverts	300	2266	INFASSET	ROADSIII	ROADBRIDG
Subways	300	2281	INFASSET	ROADSIII	ROADBRIDG
Municipal Roads- Concrete	180	2278	INFASSET	ROADSIII	ROADCONCR
National Roads- Concrete	180	2270	INFASSET	ROADSIII	ROADCONCR
Provincial Roads- Concrete	180	2274	INFASSET	ROADSIII	ROADCONCR
Overload Control Centres	180	2539	INFASSET	ROADSIII	ROADCONTRL
Traffic Islands	180	2285	INFASSET	ROADSIII	ROADCONTRL
Traffic Lights	180	2286	INFASSET	ROADSIII	ROADCONTRL

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ASSETS**

DESCRIPTION	LIFEEXP (Months)	SCDA	CAT	SUBCAT	ASSET CLASS
Meters	180	2293	INFASSET	WATERIII	WATSUPPL
Pump Stations	180	2294	INFASSET	WATERIII	WATSUPPL
Supply/Reticulation	180	2297	INFASSET	WATERIII	WATSUPPL
Underground chambers- Meters	180	2299	INFASSET	WATERIII	WATUNDER
Underground chambers- Transition	180	2300	INFASSET	WATERIII	WATUNDER
Underground chambers- Valves	180	2298	INFASSET	WATERIII	WATUNDER
<b>B5. Sewerages (2063)</b>					
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
<b>B6. Railway (2064)</b>					
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
<b>B7. Gas Supply Systems (2065)</b>					
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