

SOUTH COAST TOURISM AND INVESTMENT ENTERPRISE

POLICY TITLE	ASSET MANAGEMENT POLICY
DATE OF APPROVAL	16 May 2024
REVIEW DATES	

1. INTRODUCTION

This policy document is drafted to provide guidance in managing SCTIE's assets in accordance with Treasury Regulations and section 96 of the MFMA. The policy is drafted to ensure effective management, control and maintenance of all the entity's assets.

Although the Treasury regulations and the MFMA emphasise the accounting officer's responsibility in the asset and liability management of municipal entities, this policy will apply to all SCTIE staff members. Thus, this document will assist management and employees of SCTIE to implement and maintain consistent, effective and efficient asset management principles.

2. DEFINITIONS

For the purpose of this policy, the following definitions apply:

2.1 An asset

An asset 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 entity.

2.2 Unserviceable item

Unserviceable item refers to an item, which, owing the normal wear and tear, has become obsolete and is no longer suitable for the purpose for which it has been originally acquired for.

2.3 Obsolete item

Obsolete item refers to equipment, furniture and fittings, which can no longer be used within the entity owing to obsolescence, excluding spoilt items.

2.4 Redundant item

Redundant item refers to a serviceable item or equipment, which is no longer required by the entity.

2.5 Asset acquisition

The process by which an entity assumes control of an asset.

2.6 Asset disposal

The process by which an entity relinquishes control of an asset.

2.7 Maintenance

The work needed to maintain an asset in a condition that enables it to reach its service potential over its useful life. Maintenance does not extend an asset's useful life and related expenditure is treated as current expenditure.

2.8 Carrying amount

The amount at which the asset is recognised in the balance sheet after deducting any accumulated depreciation and accumulated impairment losses thereon.

2.9 Impairment Loss

The amount by which the carrying amount of an asset exceeds the recoverable amount.

2.10 Condition assessment

An assessment of the current condition of an asset (and its components) in relation to its service performance, as well as the maintenance or renovation required and associated costs.

2.11 Current asset

An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.

2.12 Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life. Depreciation recognises the gradual exhaustion of the asset's service potential.

2.13 Depreciable amount

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

2.14 Enhancements

The work needed to increase an asset's service potential (and thereby its useful life). This is regarded as capital expenditure.

2.15 Refurbishment

Modification work carried out on an asset to restore it to acceptable condition. Some refurbishment work does not extend the life of the asset, but are necessary for the useful life to be achieved.

2.16 Revaluation

The recording of an increase in the carrying value of an asset, to be reflected in the financial statements.

2.17 Service potential/Future economic benefit

A measure of an asset's ability at any point in its life to contribute to the delivery of a service.

2.18 Fair value

The fair value of an asset is the amount that a willing buyer and willing seller would agree on or market value.

2.19 Residual Value

Residual value is the net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

2.20 Useful Life

The period of time over which a depreciable asset is expected to be used by the entity.

3. OBJECTIVES

The principal objectives of this policy are to:

- To safeguard SCTIE's fixed assets and ensuring effective use of the entity's existing resources;
- Provide SCTIE with procedures and guidelines governing management of assets;
- Define a framework within which acquisition, maintenance and disposal of fixed assets is carried out in an efficient and cost-effective manner to achieve SCTIE's objectives;
- To instil a culture of control and accountability over the management of assets within SCTIE;
- To comply with relevant regulations.

4. RESPONSIBILITY FOR ASSET MANAGEMENT

The entity's Accounting Officer is responsible for the management, including safeguarding and maintenance of all the entity's assets in an economic, efficient and effective manner. The responsibility of the entity's asset management and safeguarding is also put on the entity's officials for safeguarding and maintenance of the assets within the officials' areas of responsibilities.

Effective internal control over the acquisition, maintenance and disposal of fixed assets is vital, thus all SCTIE's assets will be procured under the guidance of the entity's procurement policy.

5. ACQUISITION OF FIXED ASSETS

All assets to be acquired in terms of the capital budget allocated. SCTIE's Supply Chain Management Policy and Delegations of Authority should be applied for all purchases. On purchase of additional assets, the Financial Accountant must ensure that the asset is recorded in the fixed assets register. It is the responsibility of the Supply Chain Officer to report all assets purchases on arrival to the accountant. All assets received must be marked with SCTIE's ownership mark. SCTIE's ownership mark should be applied in such a way so as to make the obliteration thereof difficult.

6. FIXED ASSETS

6.1 Fixed Assets Groups

Five groups of fixed assets have been identified, namely Computer Equipment, Computer Software, Furniture and Fittings, Other Equipment and Vehicles.

6.2 Depreciation

The assets are depreciated on a straight-line basis over the useful life of the asset. The following rates will be applied to depreciate the assets to their estimated net realisable values over their useful lives:

CATEGORY	DEPRECIATION RATE	USEFUL LIFE OF ASSET
Computer software	33.3% per annum	3-8 years
Computer hardware	33.3% per annum	3-8 years
Office furniture & fittings	20% per annum	6-105 years
Other equipment	20% per annum	5-105 years
Vehicles	25% per annum	6-104 years

6.3 Fixed Asset Register

Once the relevant asset has been received and paid for, the fixed asset register must be updated. The Financial Accountant will also perform monthly updates to ensure that all assets belonging to SCTIE are timeously recorded therein. The asset register must be reconciled monthly to the general ledger and the reconciliation must be reviewed and signed by the Manager: Finance, HR and Administration. The asset register should regularly be reviewed by the Manager: Finance, HR and Administration to ensure that information captured is valid, accurate and complete.

The following information should be recorded in the asset register in respect of every asset acquired:

- Description of the asset
- Asset purchase price
- Date of acquisition
- Asset physical location
- Asset identification number (bar coded)
- Supplier of the asset
- Serial number
- Order number
- Payment method
- Cheque number or payment reference
- Custodian's name (responsible official)
- Useful life
- Where applicable, performance information (capacity, warranties)
- Depreciation rate
- Current depreciation
- Accumulated depreciation
- Net book value of asset (at beginning and end of financial period)
- Disposal amount
- Residual value
- Revaluation amount

6.4 Procedures for the maintenance of the Fixed Asset Register

The Financial Administrator/Officer must update the asset listing and fixed asset register with the approved asset requisitions, and submit it to the accountant for approval. On a monthly basis the Financial Accountant or delegated official must perform reconciliation between the general ledger values and the fixed assets and inventory register values and submit it to the Manager: Finance, HR and Administration. All changes made to the fixed assets register should be approved by the Manager: Finance, HR and Administration monthly.

The Financial Administrator should allocate depreciation rates for each class of assets, and also ensure that the depreciation calculations are correctly applied and posted in the general ledger. The Financial Accountant should review the assets title quarterly to ensure that SCTIE holds title to all assets. The Financial Accountant should numerically account for the tag numbers, and the Financial Administrator should review the sequence monthly for missing numbers and also report to the Manager: Finance, HR and Administration quarterly on the physical verification of assets. The Manager: Finance, HR and Administration will then check the physical verification report, approve and submits a copy to the CEO.

7. ASSET IDENTIFICATION

A fixed asset and inventory register should be maintained, and all fixed assets should be tagged for reference to the fixed assets register. SCTIE should hold title to all assets.

8. MOVEMENT OF ASSETS

No official may transfer an asset from its original location or dispose of an applicable asset unless duly authorised by the CEO or his/her delegate or authorised person.

Written approval may be granted to any official/person from a private company to remove SCTIE's assets from its premises for service, repair or restoration. The prescribed form for this purpose must be completed and authorised by the CEO or his/her delegate or authorised person, and the following information should be supplied:

- A full description of the asset(s) including all parts and serial number;
- The reason for the removal of the asset(s);
- The period, which the asset(s) shall be removed from the office;
- Particulars of the person removing the asset(s);
- Employee responsible for the removal of such asset(s); and
- All assets removals and returns must be done through the finance unit.

9. STOCK-TAKING

Assets shall be subjected to stock-taking at least once in every financial year. However, the continued updating and maintenance of the asset register should be carried out continuously during the financial year. A stocktaking audit programme must be designed and the stocktaking audit programme should be circulated to all Managers. The programme must detail the date, time and names of the checking officers (Checking officers must be independent of both the recording and custodial functions). The fixed asset register for each unit must be attached to the stocktaking programme.

As the Financial Accountant is the custodian of the asset register, he/she shall designate in writing, competent person(s) to take stock and report their findings. The asset holder should assist the said person(s) with the stock-taking, but does not have to carry out a stock-take of the assets but may assist with for example the location, identification, etc. The result of the count should be documented on the asset verification form and the verification form should be reviewed by the Manager: Finance, HR and Administration and kept in a safe place for audit purposes.

The following information must be listed on the asset verification form:

- Asset number
- Description of the asset
- Purchase price
- The physical condition of the asset
- Explanation of the official responsible for checking
- Explanation of the GM of the unit

Both shortages and surpluses must be included on the asset verification form. Thorough investigations should be made in respect of surpluses (assets found on the premises of SCTIE but not in the asset register) or shortages (assets gone missing). All possible reasons for the existence of the surplus or deficiency should be investigated before a surplus or deficiency is reported.

Within thirty (30) days of finalisation of the stock-taking, the person(s) responsible for the stocktaking should submit his/her report which includes the following:

- Surpluses, in quantities as well as in book value.
- Shortages, in quantities as well as in book value.
- Particulars of unserviceable, redundant, obsolete and damaged assets, together with a recommendation to the loss control committee.
- Any other matter that requires attention in this regard.

10. SURPLUSES, SHORTAGES AND LOSSES

Surpluses and shortages in respect of assets should be motivated in respect of the cause of and reason for the discrepancy and possible action to be taken in this regard. The loss control committee should decide whether the deficiency is a shortage or loss on the basis of submitted reports. Losses in respect of assets must be dealt with in terms of paragraph of the SCTIE's policy on management of losses.

11. DISPOSAL OF ASSETS

In accordance to MFMA Section 14 (1) SCTIE may not transfer ownership as a result of a sale or other transaction or otherwise permanent dispose of a capita asset needed to provide the minimum level of basic services. (2) SCTIE may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the Board, in open meeting to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.

All assets, which have been identified as redundant, obsolete and unserviceable, should be disposed of as soon as possible. The Financial Accountant will be responsible for identifying and recommending to the Manager: Finance, HR and Administration assets to be disposed. All correspondence relating to insurance claims, technical reports and relevant documentation must be on hand. The Manager: Finance, HR and Administration will in turn consult with the Manager responsible for the asset, for motivating and recommending to the CEO for approval for the assets to be disposed of.

The following particulars should be furnished on the asset disposal requisition form:

- Full description of the asset(s) and serial number where applicable.
- The condition of the asset(s).
- Method of disposal
- The book value or the estimated value of the asset(s).
- A motivation by the relevant GM as to why the asset(s) is/are regarded as obsolete or redundant.
- The person responsible for the implementation of the actual disposal.
- The asset(s) identified for disposal must then immediately be separated from the other assets and stored in a safe location.

The asset disposal form should be signed by the Manager: Finance, HR and Administration as evidence of review. The CEO shall approve the disposal and method of disposal by signing in the space provided on the asset disposal form. Depreciation must be calculated up to date of write off or actual date of loss where necessary. The asset register must be updated to reflect the written-off or disposed assets.

All documentation, auction slips, receipts, technical reports etc. regarding the disposal of the asset must be kept for audit purposes.

12. SAFEGUARDING OF ASSETS

All assets should be kept in a secure location, maintained regularly, insured against theft or destruction, and be utilised economically and efficiently. The CEO and Manager: Finance, HR and Administration should inform the board of the acquisition or disposal of any significant asset, and the

details of the transaction have to be submitted to the board for approval. The disposal of any of SCTIE's major assets has to be approved by board. In this case the entity's materiality and significant framework will apply.

No asset may be removed from the SCTIE offices without a permission slip or form signed by an authorised official. Permission slips must be sequentially numbered and kept in duplicate by the authorised official. Details of the asset, the permission slip number and the official removing the asset from the premises shall be recorded in a register that will be maintained by the security official.

13. LEASED ASSETS

Leased assets register must be kept separately from the owned fixed assets register. The lease register must disclose the following information:

- Asset number
- Description
- Cost
- Date of commencement of lease
- Date for end of lease
- Name of lessor
- Type of lease, whether finance or operating lease
- Depreciation rate (if finance lease)

14. REPORTING THRESHOLDS

All assets that meet the definition of an asset are recorded on SCTIE's Asset Register irrespective of the cost of that asset. This is done to ensure that all assets are controlled within the organisation. However, not all assets need to be included on the Annual Financial Statements, for that reason a reporting threshold is set. For reporting purposes, the threshold is set at R2 000.00.

Assets that cost less than R2 000.00 should be expensed in the financial year in which they were purchased. However, these assets should be recorded on the Asset Register for control purposes.

15. VALUATIONS

Assets are usually put onto the asset register at historical cost, however, in the absence of a purchase price (as in the case when an asset is donated to the organisation), the fair value of the asset should be used.

16. REVISION OF USEFUL LIFE

It may be necessary to review the *useful life* of an asset as the original estimate of *useful life* may become inappropriate. Such an adjustment is deemed to be a change in estimate and the *depreciation* charge for the current and future periods must be adjusted.

17. ACCOUNTABILITY

Every asset on the Asset Register should be linked to an official who uses the asset to achieve the organisation's service deliver objectives.

On an annual basis, a list of assets allocated to each official, is drawn from the asset register and verified for accuracy. The official has the responsibility to ensure that only those assets that they are responsible for are listed. The list is signed by the official and a copy is placed on the back of the office door, the original is maintained in a file with the Financial Accountant.

During the next physical verification, the Financial Accountant will compare the previous year's list to the current year's list to verify that all assets are still accounted for. Where there are discrepancies between the two lists that cannot be accounted for during normal office transfers between sections, an explanation is required by the custodian. When the explanation is insufficient, normal loss control and disciplinary procedures should be followed.

18. RECONCILIATIONS

It is necessary to ensure that all assets purchased during a year, are all updated onto the Asset Register. For that reason the Financial Accountant should perform a monthly reconciliation between the financial system asset purchases with that of the Asset Register. The reconciliations should be

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reviewed on a monthly basis by the Manager: Finance, HR and Administration and signed as evidence thereof.

19. REVIEW

This policy will be reviewed as and when the need arises.

20. APPROVAL OF THE POLICY

NAME	SIGNATURE	DESIGNATION	DATE
Mr. Sandile Dlomo		CHAIRPERSON: SCTIE	16.05.2024