

LESEDI LOCAL MUNICIPALITY

STANDARD OPERATING PROCEDURES
FOR ASSET MANAGEMENT
(2013 2014)

NR	PROCEDURE	FREQUENCY	RESPONSIBLE PERSON
1	Strategic asset management: Annual strategic asset management planning		
1.1	Ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council for approval. Ensure that the maintenance plan is submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.	Annual	HOD Technical Services
1.2	Perform a review of the annual maintenance performed on assets in relation to the asset management plan and compile a report on the variances identified setting out the reasons, impact and recommendations	Annual	Responsible HOD
1.3	Calculate the backlog maintenance and compile a report setting out the reasons, impact and recommendations. If no backlog maintenance exist the report should still be compiled but must state that no backlog maintenance exist	Annual	Responsible HOD
1.4	Analyse the emergency expenditure that was incurred on assets during the year and previous periods and compare the results. Compile a report setting out the key reasons for the level of emergency expenditure	Annual	Manager SCM
1.5	Make recommendations on the appropriate level of emergency expenditure provisions for the next period as well as recommendations on the process to manage emergency expenditure	Annual	Manager SCM
1.6	Review the asset management plan in relation to the current asset management needs and maintenance from the previous period	Annual	Responsible HOD
1.7	Update the costing of the asset management plan after it has been updated	Annual	Accountant: Assets
1.8	Perform a risk assessment on the infrastructure assets and complete the standard risk assessment template	Annual	Responsible HOD/Accountant Assets

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1.9	Identify the list of critical assets based on the risk assessment and compile a critical asset list	Annual	Accountant: Assets
1.10	Ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the Department in question is promptly reported in writing to the Chief Financial Officer, to the Internal Auditor, and, in cases of suspected theft or malicious damage, also to the South African Police Service.	Quarterly	Responsible HOD/CFO
1.11	Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised. Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.	Monthly	Manager: Expenditure
1.12	Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.	Monthly	Manager: Expenditure
2	Accounting framework for assets: Review and update the asset catalogues		
2.1	Source the latest standard asset catalogue from the Provincial COGTA and compare it with the catalogue used by the municipality	Annual	FO: Assets
2.2	Identify asset items that are on the municipal catalogue but not on the standard catalogue and visa versa.	Annual	FO: Assets
2.3	Consider these items and remove them from the municipal catalogue if deemed appropriate to do so. For the remaining items compile a report for submission to Provincial COGTA for consideration and updating of the standard catalogue	Annual	Accountant: Assets
2.4	Submit the report to COGTA and follow up on the outcome. If the standard catalogue is not updated	Annual	Accountant: Assets

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	consult with Provincial COGTA on the manner to account for the particular assets		
2.5	Update the municipal catalogue with new assets that were identified on the standard catalogue	Annual	Financial Officer: Assets
2.6	Review the detail guidance of each asset on the catalogue for changes made on the standardised documents and update the municipal catalogue if necessary (changes such as verification methods, condition assessment methods, etc.)	Annual	Financial Officer: Assets
2.7	Prepare a reconciliation report that reconciles the municipal catalogue with the standard catalogue.	Annual	Financial Officer: Assets
2.8	Review the reconciliation, sign it as evidence of review and submit it to Provincial COGTA for filing purposes	Annual	Accountant: Assets/CFO
2.9	In sourcing the latest catalogues from Provincial COGTA, also source the latest unit costs	Annual	Financial Officer: Assets
2.10	Update the municipal catalogues and systems (including fixed asset registers) with the latest unit costs	Annual	Financial Officer: Assets
2.11	Apply the municipal specific adjustment to the unit costs based on local conditions or other technical considerations	Annual	Accountant: Assets
2.12	Calculate the adjusted values of the assets and prepare the annual revaluation adjustments of the infrastructure assets	Annual	Accountant: Assets
2.13	Approve the adjustments in values and sign as evidence of approval	Annual	CFO
2.14	Process the relevant journals, ensure that each journal is supported by an approved pre-numbered journal voucher, calculations of the adjusted values and documents supporting the calculations	Annual	Accountant: Assets
2.15	Perform a reconciliation between the updated asset register and the GL accounts after update to confirm correct processing	Annual	Accountant: Assets
2.16	Review/compile a list of all the asset information systems in the municipality	Annual	Accountant: Assets
2.17	Review the data dictionaries of all the systems and identify any data that is duplicated across the systems	Annual	Accountant: Assets

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2.18	In cases where data duplication exists, refine the data on the systems to ensure that data is not duplicated and include the most up to date and complete information on the systems	Annual	Accountant: Assets
2.19	In cases where duplicate data is unavoidable review the process implemented to ensure that both data sets are updated for any change	Annual	Accountant: Assets
2.20	On quarterly basis prepare a report setting out the systems, the data dictionaries and results of the normalisation process	Quarterly	Accountant: Assets
2.21	Review the confirmation report of data normalisation and submit to Council on a quarterly basis for noting	Quarterly	CFO
3	Asset identification: Geographical referencing of inaccessible assets		
3.1	Tag all assets that can be tagged when they are received. Do not process any assets without an asset number on the financial system	Ongoing	Financial Officer: Assets
3.2	On a monthly basis review the stock of asset tags available against the expected asset acquisitions	Monthly	Financial Officer: Assets
3.3	If the stock of tags falls below three months' worth of stock place an order to replenish the tags	Monthly	Financial Officer: Assets
3.4	Ensure that all infrastructure assets and municipal properties are geographically referenced. This referencing should be done even if the municipality does not have a GIS system as if the asset information is consolidated provincially or nationally so it can be uploaded	Monthly	Financial Officer: Assets
3.5	On an annual basis review the asset register and identify assets that do not have geographical coordinates	Annual	Manager: Assets
3.6	Compile a plan to reference these assets setting out who will do it, when and how	Annual	Manager: Assets
3.7	On an annual basis review this plan and approve as adequate to ensure that all the assets are referenced as far as practically possible	Annual	CFO
3.8	Inaccessible assets are referenced by means of a polygon asset. Polygon assets should be "unbundled" over time and when maintenance on	Annual	Manager: Assets

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	the asset is being done		
3.9	On an annual basis review the remaining polygon assets in the asset register and identify the assets that can be unbundled with available information	Annual	Manager: Assets
3.10	Update the asset register with this information	Annual	Accountant: Assets
3.11	For the remaining polygon assets review the maintenance plans and other initiatives to improve the information on the assets during the next year	Annual	Manager: Assets
3.12	Compile an annual plan setting out which polygon assets will be unbundled and how. This plan should also give a projection of when all the polygon assets will be unbundled	Annual	Manager: Assets
3.13	Review the annual plan and approve for implementation	Annual	CFO
3.14	On a monthly basis compile a report setting out the progress made against the plan of unbundling the polygon assets	Monthly	Accountant: Assets
3.15	Review the progress report and approve. If inadequate progress has been made follow up and formulate recommendations to be implemented	Annual	CFO
4	Maintenance of non register asset schedules and information: Intangible assets schedule		
4.1	The Chief Financial Officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the Council that specific development costs be recognised as fixed assets.	Monthly	Manager: Expenditure/C FO
4.2	Prepare a monthly intangible asset schedule showing the movements for the month under review	Monthly	Financial Officer: Assets
4.3	Through inspection and consultation identify the changes to be made to the intangible asset schedule	Monthly	Financial Officer: Assets
4.4	Reconcile the schedule against the changes identified to ensure that the schedule has been updated	Monthly	Financial Officer: Assets
4.5	Review the asset schedule reconciliation and sign	Monthly	Manager:

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	as evidence of review		Assets
5	Asset control and safeguarding: Movable asset control sheets		
5.1	Annually printout the movable assets per responsible person in a schedule format that can serve as a control register	Annual	Financial Officer: Assets
5.2	Issue the control sheets to the responsible persons and let them confirm receipt and custody of the list of assets	Annual	Financial Officer: Assets
5.3	On an annual basis physically verify the assets per control sheet (this step should be performed by the person responsible for the assets as per asset control schedule)	Annual	Accountant: Assets
5.4	Complete an annual verification form per allocated responsibility as evidence that the assets were verified and that the asset schedule is correct	Annual	Accountant: Assets
5.5	Source the asset verification sheets from each responsible person as well as the list of variances identified through the process of physical verification	Annual	Accountant: Assets
5.6	Follow up on the variances and make corrections where possible	Annual	Accountant: Assets
5.7	For asset variances that could not be resolved prepare a recommendations report for consideration	Annual	Manager: Assets
5.8	Consider the recommendations on variances on the asset verification control sheet and make final recommendations and approvals	Annual	Accountant: Assets
5.9	Process the approved recommendations on the asset register and print new asset control sheets where changes occurred	Annual	Accountant: Assets
6	Asset control and safeguarding: Revolving asset plan for movables		
6.1	Annually identify the assets that will be covered each month for the current year. This will form the basis of the agreement on coverage of the revolving movable asset verification plan	Annual	Accountant: Assets
6.2	In line with the revolving plan roles and responsibilities allocate responsibilities to staff	Annual	Accountant: Assets

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	members and source their acknowledgement and acceptance through them signing for their responsibility in the plan		
6.3	During the physical verification record the condition and utilisation of the assets in accordance with the movable assets assessment guideline and relevant template	Annual	Accountant: Assets
6.4	On a monthly basis track the progress against the plan and report any deviations from the plan	Monthly	Accountant: Assets
6.5	On a monthly basis prepare the consolidated results of the verification process as well as the verification reports	Monthly	Accountant: Assets
6.6	Follow up on variances and correct them where possible	Monthly	Accountant: Assets
6.7	For variances that cannot be solved formulate the recommendations of appropriate action	Monthly	Accountant: Assets
6.8	Review and verify the monthly asset verification reports and submit to Council for consideration	Monthly	Accountant: Assets
6.9	Based on Council resolutions on the recommendations make the adjustments to the financial records and the asset register as appropriate	Monthly	Accountant: Assets
7	Asset control and safeguarding: Infrastructure assets verification		
7.1	Annually identify the infrastructure assets that will be physically verified and inspected, at least 20% of the total infrastructure assets should be covered	Annual	Manager: Assets
7.2	Identify the high risk assets and include those assets in the annual verification plan	Annual	Manager: Assets
7.3	Develop a monthly plan for the verification of the assets identified	Annual	Accountant: Assets
7.4	Record the condition and utilisation of the assets during the physical verification using the relevant template and guideline on condition assessment of the particular asset	Monthly	Financial Officer: Assets
7.5	On a monthly basis prepare a verification report setting out the condition, utilisation and physical location of the assets verified	Monthly	Financial Officer: Assets

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7.6	On a monthly basis prepare a report detailing any adjustments that should be made to the infrastructure assets that were verified such as impairment, updating of information in the register, etc	Monthly	Accountant: Assets
7.7	Review the report on adjustments, approve and submit the report to council with the required adjustment for consideration	Monthly	CFO
7.8	Once council has considered and approved the report, prepare journal vouchers for relevant adjustment journals	Monthly	Financial Officer: Assets
7.9	Review the journals for accuracy and approve for processing by signing the journal voucher	Monthly	Accountant: Assets
7.10	Process the journals and print out the systems report as proof of processing. Stamp the journal voucher as "processed by" and sign as evidence	Monthly	Financial Officer: Assets
7.11	Review the processed journal reports, sign and file as evidence	Monthly	Manager: Assets
7.12	Update the critical asset list with any new critical assets identified during the physical inspection	Monthly	Financial Officer: Assets
8	Managing the assets on the critical assets list Maintenance of a critical asset list		
8.1	Based on the condition assessments of the infrastructure assets compile a critical asset list setting out the probability of asset failure, the consequence as well as the cost to remove the asset from the critical asset list	Monthly	Accountant: Assets
8.2	Submit the report to Council and COGTA for noting and adopting	Monthly	CFO
9	Asset insurance: Annual review of asset insurance		
9.1	The Municipal Manager shall ensure that all movable fixed assets are insured immediately at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.	Annual	Manager: Expenditure/ CFO
9.2	The Municipal Manager shall recommend to the Council of the Municipality, after consulting with the Chief Financial Officer, the basis of the insurance	Annual	Manager: Expenditure /CFO

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	to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.		
9.3	Annually reconcile the list of insured assets against the asset register for completeness	Annual	Accountant: Expenditure
9.4	Consider the asset values against the current insured values and determine the value that should be insured	Annual	Accountant: Expenditure
9.5	Due to the value of the annual insurance call for bids timeously to ensure awarding of bid is done prior to insurance renewal date.	Annual	Financial Officer: Assets
9.6	Confirm that all insurance premiums are paid timeously.	Monthly	Accountant: Expenditure
9.7	On a monthly basis review all insurance claims and ensure that sufficient evidence exist to support the claim and that it is in line with the terms and conditions of the insurance	Monthly	Accountant: Expenditure
10	Asset insurance: Annual verification of biological assets, heritage assets and intangible assets		
10.1	On an annual basis plan a verification exercise on biological, heritage and intangible asset	Annual	Accountant: Assets
10.2	Perform the physical verification of the relevant assets and reconcile the results to the asset schedule	Annual	Financial Officer: Assets
10.3	Follow up on variances and eliminate them as far as possible	Annual	Financial Officer: Assets
10.4	For unresolved differences compile a verification variance report with recommendations	Annual	Financial Officer: Assets
10.5	Review the results of the verification as well as the report on the differences detected and sign for evidence of review	Annual	Accountant: Assets/CFO
10.6	Present the final report to Council for noting and approval of the recommendations made on the differences	Annual	CFO
10.7	Prepare any journal that may be necessary to	Annual	Financial

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	update the financial records or relevant schedules to ensure that the physical assets and the records reconcile		Officer: Assets
10.8	Print the final documentation per asset group and file for evidence of reconciliation	Annual	Financial Officer: Assets
10.9	Review the final printouts and reconciliations and approve as evidence of final review	Annual	Accountant: Assets
11	Impairment testing of assets: Annual asset impairment testing (movable and infrastructure)		
11.1	Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the Chief Financial Officer shall inform the Council of the Municipality of such amendment.	Annual	Manager: Assets/CFO
11.2	The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.	Annual	Manager: Assets/CFO
11.3	If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.	Annual	Accountant: Assets
11.4	Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.	Annual	Financial Officer: Assets
11.5	In all the foregoing instances, the additional depreciation expenses shall be debited to the Department or Vote controlling or using the fixed asset in question.	Annual	Accountant: Assets
11.6	If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall	Annual	Accountant: Assets

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	be partially or fully impaired, as the case may be, and the Department or Vote controlling or using the fixed asset in question shall bear the full impairment expenses concerned.		
11.7	Annually source the relevant information on condition assessments as compiled during the verification process	Annual	Accountant: Assets
11.8	Consolidate the information and discuss with the key asset owners	Annual	Accountant: Assets
11.9	Consult with the key asset owners on events known to them that would further lead to impairment of assets	Annual	Accountant: Assets
11.10	Based on the results of the condition assessments compiled during physical inspections and discussion with the key asset owners determine the level of impairment per asset	Annual	Accountant: Assets
11.11	Prepare an annual impairment report setting out the process followed and a schedule of the assets to be impaired. Include in the report the key reasons for the impairment of the assets	Annual	Accountant: Assets
11.12	In cases where assets are impaired due to the conduct/negligence of management formulate recommendations on how to avoid or minimise similar impairment in the future	Annual	Accountant: Assets
11.13	Review the impairment report and sign as evidence of review	Annual	CFO
11.14	Present the report to council for approval of the impairment expense	Annual	CFO
11.15	Prepare any journal that may be necessary to update the financial records or relevant schedules to ensure that the physical assets and the records reconcile	Annual	Financial Officer: Assets
11.16	Print the final documentation per asset group and file for evidence of reconciliation	Annual	Financial Officer: Assets
11.17	Review the final printouts and reconciliations and approve as evidence of final review	Annual	Manager Assets/CFO
11.18	Annually perform an impairment test in accordance with the relevant asset guideline for these assets (biological, heritage and intangible)	Annual	Accountant: Assets

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11.19	Prepare a report setting out the level of impairment on the biological, heritage and intangible assets, detailing the reasons for the impairment	Annual	Accountant: Assets
11.20	Review the impairment report and sign as evidence of review	Annual	CFO
11.21	Submit the impairment report to Council for noting and approval of recommendations	Annual	CFO
11.22	Prepare any journal that may be necessary to update the financial records or relevant schedules to ensure that the physical assets and the records reconcile	Annual	Financial Officer: Assets
11.23	Print the final documentation per asset group and file for evidence of reconciliation	Annual	Financial Officer: Assets
11.24	Review the final printouts and reconciliations and approve as evidence of final review	Annual	Manager Assets/CFO
12	Revaluation of fixed assets: Values from Local Municipalities valuation rolls		
12.1	All land and buildings recorded in the Municipality's fixed asset register shall be revalued with the adoption by the Local Municipalities' of their new valuation rolls. The Chief Financial Officer shall ensure that the frequency of revaluations is determined by the changes in the fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.	At revaluation time	Accountant Assets/CFO
12.2	The Chief Financial Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned.	At revaluation time	Accountant: Assets/CFO
12.3	The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the Department or Vote controlling or using the fixed asset in question.	At revaluation time	Accountant: Assets/CFO
12.4	The Chief Financial Officer shall ensure that an	At revaluation	Accountant:

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	amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary.	time	Assets/CFO
12.5	If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the Chief Financial Officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the Department or Vote controlling or using the asset in question.	At revaluation time	Accountant: Assets/CFO
12.6	Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).	At revaluation time	Accountant: Assets/CFO
	Asset risk information: Maintenance of the asset risk information		
13	Annually perform a risk assessment on assets and complete the risk register for all critical assets	Annual	Risk Officer /Manager Assets
13.1	On a quarterly basis review the risks on the risk register and confirm that the risks are being managed	Quarterly	CFO/Risk Officer
13.2	Compile a report detailing the actions and recommendations regarding managing the risk on assets	Quarterly	Accountant: Assets
13.3	Review the report and sign as evidence of review	Quarterly	CFO
14	Maintenance plans and expenditure: Implementation of the maintenance plan		

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14.1	If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council of the Municipality has approved in order to redress such deferral of the maintenance requirements concerned.	Annual	Accountant: Assets/CFO
14.2	If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the Head of Department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.	Annual	Accountant: Assets/CFO/ Responsible HOD
14.3	Based on the maintenance plan as drafted by the technical divisions evaluate the monthly maintenance expenditure against the maintenance plan	Monthly	Accountant: Expenditure
14.4	Record differences between the maintenance plan and maintenance expenditure that are above or less than 10% and obtain explanations from the technical divisions	Monthly	Accountant: Expenditure
14.5	Review the recording of the maintenance expenditure and confirm if it is recorded against the relevant asset	Monthly	Manager: Expenditure
14.6	Review the maintenance expenditure and confirm if it has been recognised correctly as expenditure or capital expenditure where appropriate	Monthly	Manager: Expenditure
14.7	Prepare a monthly report on the maintenance expenditure and the recording thereof	Monthly	Manager: Expenditure
	Review the monthly report and sign as proof of review	Monthly	CFO
15	Maintenance plans and expenditure: Emergency maintenance		
15.1	Monthly compile a schedule of emergency maintenance expenditure incurred	Monthly	Manager: Expenditure
15.2	Follow up on the reasons for the emergency	Monthly	Manager:

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	maintenance expenditure and determine if the funds utilised were budgeted for and if the process to procure as part of emergency procedures was followed		Expenditure
15.3	For expenditure that was incurred and not budgeted for compile a report for the municipal manager to take to council for approval	Monthly	Manager: Budgets
15.4	On a monthly basis prepare a report for council detailing the level of emergency maintenance expenditure incurred by the municipality	Monthly	Manager SCM
15.5	Review the report and sign as proof of review	Monthly	CFO
15.6	Submit the report to council for approval of the expenditure incurred	Monthly	CFO
16	Operating asset utilisation: Updating of asset utilisation information		
16.1	On an annual basis, based on the information compiled during the revolving verification process, identify the assets where the actual utilisation differs significantly from the utilisation specified in the asset system	Monthly	Accountant: Assets
16.2	Annually discuss the utilisation of the assets with the relevant technical unit and identify any other asset where the utilisation differs from the system	Annually	Accountant: Assets
16.3	Update the asset system with the confirmed actual utilisation of the assets	Monthly	Accountant: Assets
16.4	Review the updating of the asset system and sign as proof of review	Monthly	CFO
17	Operating asset utilisation: Utilisation of fully depreciated assets		
17.6	Generate a schedule of assets that are fully depreciated	Monthly	Financial Officer: Assets
17.7	Through discussions and results of the physical verification identify the assets that are still in use by the municipality and generate a list of fully depreciated assets still in use.	Annual	Financial Officer: Assets
17.8	Evaluate the previous estimates and assumptions used to depreciate the assets and determine if the assessment of useful lives and depreciation method was correct.	Annual	Accountant: Assets

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17.9	For assets where the assessment of useful lives and depreciation methods was incorrect rectify and treat the changes as prior year errors	Annual	Accountant: Assets
17.10	For assets where the assessment of useful lives and depreciation method was correct based on the information available at the time consider revaluation of the asset or a continued utilisation of the fully depreciated assets	Annual	Accountant: Assets
17.11	Compile a report setting out the treatment of fully depreciated assets	Annual	Accountant: Assets
17.12	Review the report against the requirements of GRAP and sign the report as proof of review	Annual	CFO
18	Investment assets: Performance of the investment portfolio		
18.1	Annually generate a list of the investment assets	Annual	Financial Officer: Assets
18.2	Discuss the investment assets with the asset owners with regard to the return on investment of the assets	Annual	Financial Officer: Assets
18.3	Prepare a report setting out the type of investment assets, the expected return of each type and the actual return. Detail reasons for the performance of the investment assets	Annual	Financial Officer: Assets
18.4	Review the investment asset report and sign as proof of review	Annual	Accountant: Assets/CFO
18.5	Submit the investment report to council for noting and adoption	Annual	CFO
19	Asset expenditure processes: Ordering of assets on budget		
19.1	At the beginning of each year draw up an asset acquisition plan in accordance with the budget for asset acquisitions	Annual	Financial Officer: Assets
19.2	On a monthly basis review the asset orders against the budget and the monthly acquisition plan	Monthly	Financial Officer: Assets
19.2	Identify deviations of more than 20% from the budget and enquire of the relevant business unit on the explanation of the deviation	Monthly	Manager: Budgets
19.3	Review the ordering documentation and record the	Monthly	Financial

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	point of delivery on a schedule		Officer: Assets
19.4	Prepare a report for council setting out the state of acquisitions against budget	Monthly	Manager: Budgets
19.5	Review the report to council and sign as proof of review	Monthly	CFO
20	Asset expenditure processes: Request for proposals for assets that must be constructed		
20.1	In line with the normal process to request for proposals prepare a detailed description of the asset to be constructed in line with the municipal asset catalogue	Ad Hoc	HOD
20.2	Review all the request for proposals for the construction of assets for compliance with the asset catalogue	Ad Hoc	HOD
20.3	Approve the request for proposal before the request is published in the media	Ad Hoc	HOD
21	Asset expenditure processes: Receiving of assets delivered centrally		
21.1	On delivery of the asset by the supplier, physically verify the condition of the asset, the correctness and quantity and also inspect the invoice and the delivery note to ensure that the asset price and other information are in line with the order documentation. Sign the delivery note to acknowledge receipt of the asset.	Ad Hoc	HOD
21.2	For assets that are more specialised arrange for the relevant technical person to be present at the delivery of the asset for inspection prior to signing of the delivery note to acknowledge receipt of the assets.	Ad Hoc	HOD
21.3	If the asset is in order sign the delivery note to acknowledge receipt of the asset.	Ad Hoc	HOD
21.4	Issue a barcode for the asset and tag the asset if appropriate.	Ad Hoc	Financial Officer: Assets
21.5	Update the barcode inventory system with the issue of the asset tag.	Ad Hoc	Financial Officer: Assets
21.6	Forward the relevant asset information and the tag number to the person responsible for updating the	Ad Hoc	Financial Officer: Assets

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	asset register as well as to the person responsible for updating the financial system.		
21.7	Maintain a schedule of outstanding assets on order. For all assets where the expected delivery date exceeds one month follow up with the person who placed the order as well as the supplier and establish the status of the order.	Weekly	Financial Officer: Assets
21.8	For all orders where the delivery of the asset was cancelled, mark the order documentations as cancelled and notify the supplier of the cancellation of the order.	Monthly	Assistant: Contract administration and orders
21.9	Update the list of outstanding asset orders and release the budget for new orders.	Monthly	Assistant: Contract administration and orders
21.10	Review the schedule of outstanding asset orders and sign the document as evidence of review.	Monthly	Practitioner: Contracts Management
22	Asset expenditure processes: Receiving of assets at locations where the asset will be utilised		
22.1	Based on the schedule that specifies the points of delivery, prepare a report on a monthly basis of all assets that were expected to be delivered at the point of utilisation rather than centrally.	Monthly	Assistant: Contract administration and orders
22.2	At the end of each month follow up at the different delivery points if the assets that were expected to be delivered for that month have been delivered.	Monthly	Assistant: Contract administration and orders
22.3	For assets delivered collect the delivery notes and/or invoices from the people who received the assets and compare it to the order form to verify the price, description and quantity.	Ad Hoc	Assistant: Contract administration and orders
22.4	Issue a barcode for the asset and tag the asset if appropriate.	Ad Hoc	Financial Officer: Assets
22.5	Update the barcode inventory system with the issue of the asset tag.	Ad Hoc	Financial Officer: Assets
22.6	Forward the relevant asset information and the tag number to the person responsible for updating the asset register as well as to the person responsible for updating the financial system.	Ad Hoc	Financial Officer: Assets/ Accountant Assets

NR	PROCEDURE	FREQUENCY	RESPONSIBLE PERSON
23	Asset expenditure processes: Assets under construction		
23.1	For all the assets under construction implement a project management process that records the work in process in accordance with the asset catalogue.	Ad Hoc	Accountant: Assets
23.2	Record the work in process in the asset system and mark it as work in process.	Ad Hoc	Accountant: Assets
23.3	Once the asset construction has been completed and the asset has been tagged, flag the work in process asset from the list as an asset available for use. The completed asset should be transferred in the fixed asset register	Ad Hoc	Accountant: Assets
24	Asset register format: Prescribed format of the asset register		
24.1	The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of Generally Recognised Accounting Practice (GRAP) and any other accounting requirements which may be prescribed.	Annual	Accountant: Assets/CFO
24.2	A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset.	Monthly	Financial Officer: Assets
24.3	An asset with a minimum value of R 5,000 shall be recognised as a fixed asset. In addition similar assets of the same sub-category whose individual values, before VAT, are less than R 5,000 but cumulatively would exceed R 5,000, must be grouped and capitalised under one line item/narration e.g. Total chairs.	Monthly	Financial Officer: Assets
24.4	No item with an initial cost or fair value of less than R 5,000 or such other amount as the Council of the Municipality may from time to time determine on the recommendation of the Municipal Manager, shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.	Monthly	Financial Officer: Assets
24.5	Every Head of Department shall ensure that any	Monthly	Accountant:

NR	PROCEDURE	FREQUENCY	RESPONSIBLE PERSON
	<p>item with a value in excess of R 250, but less than R 5,000, and with an estimated useful life of more than one year, shall be recorded on a stock sheet. Every Head of Department shall ensure that the existence of items recorded on such stock sheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stock sheets pursuant to such stock verifications shall be retained for audit purposes.</p>		Assets/Responsible HOD
25	Recognition of donated assets		
25.1	<p>Where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the Chief Financial Officer.</p> <p>To be recognised as a fixed asset, the donated asset must have a minimum value of R5, 000.</p>	As and when	Accountant: Assets/CFO
26	Safekeeping of assets		
26.1	<p>Every Head of Department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the Department in question.</p>	Ongoing	Responsible HOD
27	Identification of assets		
27.1	<p>The Municipal Manager shall ensure that the Municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.</p>	Annual	Accountant: Assets/CFO
27.2	<p>Every Head of Department shall ensure that the asset identification system approved for the Municipality is scrupulously applied in respect of all fixed assets controlled or used by the Department in question.</p>	Ongoing	Accountant: Assets/Responsible HOD
28	Month end processes: Monthly reconciliations		
28.1	<p>On a monthly basis reconcile the asset register with the financial system.</p>	Monthly	Financial Officer: Assets
28.2	<p>On a monthly basis reconcile the work in process per project management office records with the work in process in the asset system.</p>	Monthly	Financial Officer: Assets

NR	PROCEDURE	FREQUENCY	RESPONSIBLE PERSON
28.3	On a monthly basis reconcile the asset movement reports with the movement in the asset register and general ledger (acquisitions, disposals, scrapping of assets, etc.)	Monthly	Financial Officer: Assets
28.4	Review the monthly reconciliations and sign as evidence of review.	Monthly	Manager: Assets
28.5	Follow up on all reconciling items and solve where possible.	Monthly	Manager: Assets
29	Verification of assets:		
29.1	Every Head of Department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the Department concerned.	Annual	Accountant: Assets/Responsible HOD
29.2	Every Head of Department shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the Chief Financial Officer not later than 30 June of the year in question.	Annual	Accountant: Assets/Responsible HOD
30	Alienation write off of assets		
30.1	Every Head of Department shall report in writing to the Chief Financial Officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the Department concerned which such Head of Department wishes to alienate by public auction or public tender. The Chief Financial Officer shall thereafter consolidate the requests received from the various Departments, and shall promptly report such consolidated information to the Executive Committee of the Municipality, as the case may be, recommending the process of alienation to be adopted.	Annual	Accountant: Assets/Responsible HOD/CFO
30.2	The Council shall delegate to the Municipal Manager the authority to approve the alienation of any fixed asset with a carrying value less than R5,000.	As and when	Manager: Assets/MM
30.3	Once the fixed assets are alienated, the Chief Financial Officer shall delete the relevant records	Annual	Accountant: Assets

NR	PROCEDURE	FREQUENCY	RESPONSIBLE PERSON
	from the fixed asset register.		
30.4	If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the income statement of the Department or Vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the Department or Vote concerned.	Annual	Accountant: Assets
30.5	All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the Department or Vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any Department or Vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.	Annual	Accountant: Assets
30.6	A fixed asset even though fully depreciated shall be written off only on the recommendation of the Head of Department controlling or using the asset concerned, and with the approval of the Council of the Municipality.	Annual	Accountant: Assets/HOD
30.7	Every Head of Department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any fixed assets which such Head of Department wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports, and shall promptly submit a recommendation to the Executive Committee on the fixed assets to be written off.	Half Yearly	Accountant: Assets/HOD/C FO
30.8	The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.	Annual	Manager: Assets
30.9	In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such Department or Vote, as additional depreciation expenses, the full carrying value of the asset concerned.	Annual	Manager: Assets

NR	PROCEDURE	FREQUENCY	RESPONSIBLE PERSON

APPROVAL OF SOP

SIGNATURE : LINE MANAGER

DATE

SIGNATURE : HEAD OF DEPARTMENT

DATE