
MATATIELE LOCAL MUNICIPALITY

FIXED ASSET MANAGEMENT POLICY

IMPLEMENTATION GUIDE



1. INTRODUCTION

This implementation guide sets out a workable basis for implementing the draft fixed asset management policy.

The guide contains the presumed delegations by the municipal manager to the chief financial officer, as well as responsibilities to be administratively assigned in terms of the policy.

For the sake of verbal economy, the following abbreviations are used throughout the guide:

MM	=	Municipal Manager
CFO	=	Chief Financial Officer
SCMU (PO)	=	Supply Chain Management Unit (Procurement official)
HoD	=	Head of Department
FAR	=	Fixed Asset Register
AFS	=	Annual Financial Statements
NDR	=	Non Distributable Reserve
MFMA	=	Municipal Finance Management Act 2003
GRAP/GAMAP	=	Generally Recognised Accounting Practice / Generally Accepted Municipal Accounting Practice

Cross-references are provided in each instance to the relevant sections of the policy. Users of the guide are accordingly expected to refer to these sections to determine the context of each delegation or assignment of responsibilities, as well as the full details of what is being delegated or assigned.

Fixed Asset Management Policy: Delegations by MM to CFO

APPLICABLE SECTION OF POLICY	DELEGATION
3	Compilation and maintenance of computerised FAR
10	Issue of written directives to HoDs on control and/or safekeeping of fixed assets.
11	Determination of fixed asset identification system to be used in support of computerised FAR.
13	Periodic review of capitalisation threshold for fixed assets.
31	Insurance of all movable fixed assets and buildings in accordance with policy.

Fixed Asset Management Policy: Implementation Guide

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
3	CFO	Authorise all changes to FAR.	BTO
4	CFO	Determine format of FAR in accordance with GRAP/GAMAP and other requirements.	BTO
4	HoDs	Promptly provide CFO in writing with all information required to maintain FAR.	Officials designated by HoD, BTO
5	CFO	Classify all fixed assets in accordance with National Treasury guidelines.	BTO
5	HoDs	Provide CFO with all information needed to make classifications.	Officials designated by HoDs
6	CFO	Engage expert valuer to value investment properties for balance sheet purposes.	-
7	CFO	Maintain separate detail in FAR for fixed assets treated as inventory.	BTO
9	CFO	Record donated assets in FAR at fair value as determined by CFO.	BTO
10	HoDs	Responsible for safekeeping of all assets under their control and in accordance with any written directives from CFO.	Officials designated by HoDs

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
10	CFO	Issue periodic written directives to HoDs generally or to specific HoD on control and/or safekeeping of fixed assets.	BTO
	CFO CFO HoDs	Determine fixed asset identification system in consultation with MM and HoDs. Maintain fixed asset identification system. Apply system in respect of all assets under their control.	CFO BTO Officials designated by HoDs
12	HoDs	Promptly report in writing to CFO any loss, theft, destruction or impairment of fixed assets. Also report to internal auditor and – where applicable – SAPS.	HoDs
13	HoDs	Record on stocksheets items with value in excess of R1 000.	Officials designated by HoDs
13	HoDs	Verify items on stocksheets at least once in every financial year, and retain amendments to stocksheets for audit purposes.	Officials designated by HoDs
16	HoDs	Prepare maintenance plans for every new infrastructure asset with value of R200 000 or more, and submit plan to council for approval.	-

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
16	HoDs	Annually report to council, not later than in July of each year, on extent to which plan complied with and implications of any non-compliance.	-
17	CFO	Report any material deferred maintenance, and re-determine useful life of asset if necessary.	BTO
18	HoDs	Properly maintain all fixed assets.	Officials designated by HoDs
19	HoDs	Ensure proper provision made for maintenance in each annual budget.	HoD with CFO, BTO
20	CFO	Determine useful life of each depreciable asset in FAR in accordance with annexure to policy.	BTO
20	CFO	If asset not on annexure determine life in consultation with HoD.	BTO, HoD
21	CFO	Depreciate all assets (except as referred in Section 23 of policy) on straight-line method over useful operating life.	BTO
22	CFO	May amend useful life, and if so must inform council.	BTO, CFO
22	CFO	Must amend useful life if asset poorly maintained.	BTO, CFO
22	CFO	Fully depreciate asset when lost, stolen, etc., and charge department with full depreciation expenses.	BTO

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
22	CFO	If asset physically ceases to exist, write out of FAR.	BTO
23	CFO	May employ sum-of-units method for specific assets subject to policy.	CFO, HoDs
24	CFO	Review carrying value of assets, and calculate impairment where applicable.	CFO, HoDs
26	CFO	Revalue land and buildings in terms of each new valuation roll, and create and administer revaluation reserve as required by policy. Adjust depreciation charges and amend values in FAR.	BTO
27	CFO	Issue directives on dates for annual asset verifications.	BTO
27	CFO	Determine format for reports on asset verifications.	BTO.
27	HoDs	Undertake asset verifications in terms of directives and report to CFO by 30 June.	Officials designated by HoDs
28	HoDs	Report to CFO on 31 October and 30 April each year on fixed assets to be alienated.	Officials designated by HoDs
28	CFO	Consolidate reports received from HoDs, and determine best means of disposal in terms of Supply Chain Management Policy.	BTO, CFO, SCMU (PO)

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
28	CFO	If carrying value of asset over R50 000, ensure Section 14 of MFMA complied with.	BTO, SCMU (PO), CFO
28	CFO	Once asset disposed of, delete from FAR.	BTO
28	CFO	Apply accounting procedures to record gains and losses on disposal in accordance with policy.	BTO
28	CFO	Report in July each year to council on assets disposed of.	BTO
29		Authorise other writing off of assets on recommendation of HoDs and with approval of MM.	CFO, HoDs, MM
29	HoDs	Report to CFO on 31 October and 30 April each year on required write-offs, with full motivations.	Officials designated by HoDs
29	CFO	Where asset not fully depreciated, charge department with balance of depreciation.	BTO
30	MM	Formulate norms and standards for replacement of normal operational fixed assets. Submit policy on replacement to council for approval.	MM with CFO, HoDs, Council

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
31	CFO	Insure all movable assets and buildings in terms of policy.	CFO, BTO
31	CFO	Determine premiums to be paid by departments. Determine basis on which each fixed asset to be insured.	BTO
31	CFO		CFO, BTO
31	CFO	Annually report to council on insurance cover required for assets.	CFO, Council
32	CFO	Ensure all biological assets valued at 30 June each year by recognised valuer, and apply prescribed accounting procedures to gains and losses.	CFO, BTO, with HoDs
32	HoDs	Report to CFO in writing if biological assets of material value lost, stolen or destroyed.	HoDs, officials designated by HoDs
32	CFO	Maintain records of biological assets in separate section of FAR: records reflect information required by CFO, HoD, internal auditor.	BTO, HoDs, internal audit
32	CFO	Annually insure biological assets if desirable and affordable.	CFO, BTO, with HoDs