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Department:
Public Work and Roads
North West Provincial Government
Republic of South Africa

Immovable Asset Management Policy

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1 THE DECLARATION OF INTENT

Sections 38(1)(d), 42 and 45(e) of the Public Finance Management Act (Act 1 of 1999) places the onus on the Accounting Officer and other officials to ensure the management, safeguarding and the maintenance of assets, and the management of the liabilities, of the Department.

2 OBJECTIVE

The objectives of this Policy are to:

- (1) Comply with all applicable legislation and prescripts relating to immovable asset management.
- (2) Ensure consistency and uniformity in immovable asset management practises.
- (3) Ensure that immovable assets are well managed, controlled and adequately safeguarded.

3 TERMINOLOGY

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act.

WORD / EXPRESSION	MEANING
Accessibility	These are projects where buildings are made more accessible for people with disabilities. e.g. construction of ramps for wheelchair users, conversion/building toilet facilities.
Accounting Officer	The Head of Department, in terms of section 36 of the PFMA, is the Accounting Officer of the Department.
Asset	Assets are resources controlled by the Department as a result of past events and from which future economic benefits or service potential are expected to flow to the Department.
Asset Register	A formal record of assets under the confirmed custodianship of an entity utilised for financial reporting purposes.
Best Value for Money	Means the optimisation of the return on investment in respect of an immovable asset in relation to functional, financial, economic and social return, wherever possible.
Budget	The appropriated funds for the Department in terms of the Budget Statement.
Capital Assets	Capital assets are non-current tangible or intangible assets of a department that are expected to be used or held by that department for longer than one year.
Capital Project	A capital project enhances the value of an existing asset, either by contributing significantly to an increase in its service life, boosting its productivity, expanding its capacity, increasing its size or changing its use.
Chief Financial Officer	A person appointed by the Department as the Chief Financial Officer in terms of Treasury Regulation 2.1.
Contract	An agreement that results from the acceptance of a bid by the Department and awarded to the successful bidder.
Contractor	A person or body of persons who undertakes to execute and complete construction works.
Class of Capital Assets	A grouping of assets of a similar nature or function in an entity's

	operations that is shown as a single item for the purpose of disclosure in the financial statements.
Current Projects	<p>Current projects are either in the form of repair, maintenance or minor works. Such projects serve to maintain existing assets in good working condition.</p> <p>Traditionally these projects would entail:</p> <ul style="list-style-type: none"> (a) restoring assets to their operating condition (b) no significant enhancement to their capacity (c) no increase in economic benefit (d) no change in the market value of the asset.
Control of Capital Assets	Control exists where a department has the power to obtain the future economic benefits or service potential from the underlying resource and to restrict the access of others to those benefits.
Construction	Construction is the process that adds value in the creation and maintenance of immovable assets in the built environment. It is not necessarily capital expenditure by nature and can also be current expenditure.
Custodian	Means a national or provincial department referred to in section 4 of the Government Immovable Asset Management Act, Act 19 of 2007 represented by the Minister of such national department, Premier of a province or MEC of such provincial department, so designated by the Premier of that province.
Custodianship	Means the execution of functions contemplated in section 4(2) of the Government Immovable Asset Management Act, Act 19 of 2007.
Disposal	Means any disposal contemplated in the State Land Disposal Act, Act 48 of 1961 or a provincial land administration law.
Fair Value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fruitless and Wasteful Expenditure	Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
Immovable Asset	<p>Means:</p> <ul style="list-style-type: none"> (a) any immovable asset acquired or owned by government, excluding any right contemplated in the Mineral and Petroleum Resources Development Act, Act 28 of 2002 (b) immovable property means any land, anything attached to such land, any interest or real rights thereto, and including which by virtue of registration in terms of item 28(1) of schedule 6 of the Constitution vests in North West Provincial Government (c) in terms of the Departmental Financial Reporting Framework (DFRF), an immovable asset is a capital asset consisting of land, infrastructure, buildings or a combination of thereof (d) in terms of the above definition an immovable asset would therefore include the following: <ul style="list-style-type: none"> (i) accommodation / improvements (buildings) used by any User Department in the execution of its functions and includes functional buildings such as schools, hospitals, clinics, office and residential accommodation, etc. (ii) land including but not limited to developed, undeveloped, vacant, cultivated, non-usable or inaccessible land (iii) machinery, plant and equipment for as far as such machinery,

	<p>plant and equipment are construed to be immovable in terms of the common law applicable to property</p> <p>(iv) conservation, cultural and heritage assets including, but not limited to, monuments, historical sites, heritage sites, conservation areas and sites of scientific significance</p> <p>(v) Infrastructure including but not limited to roads, harbours, railway lines, airports, transmission lines, dams and pipe lines.</p> <p>As part of baseline Immovable Asset Register, infrastructure will initially not be separately disclosed as separate components but shown as part and parcel of the main asset.</p>
Immovable Asset Management	Means those management processes which ensure that the value of an immovable asset is optimised throughout its life cycle.
Immovable Asset Management Guidelines	Means the guidelines published by the Minister in terms of section 19 of the Government Immovable Asset Management Act, Act 19 of 2007 which a custodian or user may use to develop its immovable asset management plan.
Immovable Asset Management Plan	Means a custodian immovable asset management plan or a user immovable asset management plan, as the case may be, prepared in accordance with section 6 of the Government Immovable Asset Management Act, Act 19 of 2007.
Infrastructure	In the context of the NW IDMS means any building, construction or engineering works constructed for the betterment of the built environment and includes maintenance works when referring to an infrastructure programme.
Institution	Means a department, constitutional institution or public entity listed in Schedule 3A and 3C of the Public Finance Management Act.
In the Service of the State	Means to be: <ul style="list-style-type: none"> (a) a member of: <ul style="list-style-type: none"> (i) the National Assembly or the National Council of Provinces (ii) any provincial legislature (iii) the accounting authority of any national or provincial public entity (iv) any municipal council (v) the board of directors of any Department (b) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999) (c) an employee of Parliament or a provincial legislature (d) an official of any municipality or municipal entity.
Irregular Expenditure	Expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including: <ul style="list-style-type: none"> (a) the Public Finance Management Act (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act (c) any provincial legislation providing for procurement procedures in that provincial government.
Life Cycle	Means the period during which a custodian or user expects to derive benefits from the control or use of an immovable asset.

Long Term Contract	A contract with a duration period exceeding one year.
Main division within a vote	Means one of the main segments into which a vote is divided and which: (a) specifies the total amount which is appropriated for the items under that segment (b) is approved by Parliament or a provincial legislature, as may be appropriate, as part of the vote.
Maintenance	Maintenance is a combination of all technical and associated administrative actions during an item's service life with the aim of retaining it in a state in which it can perform its required functions. This can be viewed as work carried out at a certain frequency, condition based or as an emergency to sustain functionality of the asset or prevent breakdown. Maintenance means all work on existing buildings undertaken to: (a) prevent deterioration and failure (b) replace components of the building. Work excluded from maintenance includes: (a) improvements and upgrading to meet new service capacity or functions (b) refurbishment to new condition to extend the capacity or useful life of the building (c) capital replacement of major components to extend the capacity or useful life of the building (d) upgrading to meet new statutory requirements (e) operational tasks to enable occupancy use (e.g. cleaning, security, waste removal) (f) supply of utilities (energy, water and telecommunications) (g) construction of new assets (h) major restoration as a result of natural and other disasters.
MEC	Member of the Executive Council.
MTEF	The Medium Term Expenditure Framework consisting of a three year rolling budget, reflecting the policy priorities of the Department.
Non-monetary Asset	Non-monetary assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead: (a) are normally employed to deliver government services (b) may be consumed in the normal course of operations (c) are not for sale in the normal course of operations.
Official	Means a person in the employ of a department, constitutional institution or public entity listed in Schedule 3A and 3C of the Public Finance Management Act.
Organ of State	As defined in section 239 of the Constitution.
Project	A project is a collection of tasks to accomplish specific goals. Projects could be carried out in the following forms: (a) construction of new assets (b) upgrading and extension of existing assets (c) rehabilitation and refurbishment of existing assets (d) repair and maintenance of existing assets (e) demolition of assets

	(f) transfer of assets to another institution (g) leasing of infrastructure.
Refurbishment & Rehabilitation	<p>Refurbishment and rehabilitation - comprehensive capital works actions intended to extend the lifecycle of an immovable asset. It may also be required for historical preservation. It generally takes place at the end of an asset's lifecycle to extend the lifecycle and gain further income potential from the asset.</p> <p>Common indicator are to:</p> <ul style="list-style-type: none"> (a) extend the useful life of an asset (b) improve operating efficiency (c) eliminate health and safety hazards (d) correct structural or mechanical defects (e) upgrade existing assets (f) change assets to more useful functions. <p>In terms of SCOA this action implies that the asset is restored to its original condition, enhancing the capacity and value of an existing asset that has become inoperative due to the deterioration of the asset. SCOA also determines this to be capital expenditure.</p>
Renovation	<p>Means comprehensive capital works actions intended to bring an immovable asset back to its original functionality. This would meet the criteria of maintaining a capital asset and not improving it from its original form. SCOA identifies this as maintenance and repairs as it restores an asset its original condition and there is no significant enhancement to its capacity, or the value of the asset. This is seen as current expenditure.</p>
Repairs	<p>Repairs entail the restoration of assets to their working order, enabling an asset to achieve its originally expected useful life. GIAMA indicates that repairs are actions required to reinstate an immovable asset to its original state when such asset is damaged accidentally or maliciously.</p>
Service Provider	<ul style="list-style-type: none"> (a) "Professional Service Provider" - Any person or body corporate that is under contract to the Employer for the provision of Professional Services (b) "General Service Provider" - Any person or body that is under contract to the Employer for the provision of any type of service.
Sponsorship	Paying for or contributing towards the cost of an event.
State Property	Includes all movable and immovable property belonging to the state as well as intellectual property rights vested in the state.
Unauthorised Expenditure	<p>Means:</p> <ul style="list-style-type: none"> (a) overspending of a vote or a main division within a vote (b) expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
Upgrade	<p>Means in terms of GIAMA guideline - comprehensive capital works that increases the value of an existing immovable asset and extends the area of or add new functionality to the asset. Upgrades can take place at any time through the lifecycle of the asset and will increase the income potential of the asset. This is usually in response to a change in demand or service requirements.</p> <p>This is seen as capital expenditure in terms of SCOA.</p>
User	Means a national or provincial department that uses or intends to use an immovable asset in support of its service delivery objectives and

	includes a custodian in relation to an immovable asset that it occupies or intends to occupy, represented by the Minister of such national department, Premier of a province or MEC of such provincial department, so designated by the Premier of that province
Vote	Means one of the main segments into which an appropriation Act is divided and which: (a) specifies the total amount which is usually appropriated per department in an appropriation Act (b) is separately approved by Parliament or a provincial legislature, as may be appropriate, before it approves the relevant draft appropriation Act as such.
Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, closed corporations and firms, unless the context clearly indicates otherwise	
All amounts/limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT)	

4 SCOPE OF APPLICATION

This policy applies to all departmental employees and:

- (1) Facilitates uniformity in immovable asset management.
- (2) Facilitates the administration, management, control, safeguarding, reporting, maintenance and disposal of immovable assets.
- (3) All officials and other role players in the immovable asset management system of the Department must implement this Policy in a way that:
 - (a) Gives effect to section 217 of the Constitution
 - (b) Gives effect to section 38(1)(d) of the PFMA
 - (c) Gives effect to the Government Immovable Asset Management Act, Act 19 of 2007 i.e. to provide a uniform framework for the management of an immovable asset that is held or used by a national or provincial department; to ensure the coordination of the use of an immovable asset with the service delivery objectives of a national or provincial department; to provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department, and to provide for matters incidental thereto
 - (d) Complies with the Regulations
 - (e) Complies with any norms and standards that may be prescribed in terms of section 40 of the PFMA
 - (f) Is consistent with other applicable legislation
 - (g) Does not undermine the objective for uniformity in immovable asset management.

5 GOVERNING PRESCRIPTS

5.1 Legislation

SOURCE	DATED	ISSUED BY
Constitution of the Republic of South Africa	Act 108 of 1996	Parliament of the Republic of South Africa
Public Finance Management Act (PFMA)	Act 1 of 1999 (as amended by Act 29 of 1999)	Parliament of the Republic of South Africa
Government Immovable Asset Management Act (GIAMA)	Act 19 of 2007	Parliament of the Republic of South Africa
Land Administration Act	Act 2 of 1995	Parliament of the Republic of South Africa

State Land Disposal Act	Act 48 of 1961 and amended by the General Law Amendment Act, Act 108 of 1993	Parliament of the Republic of South Africa
Land Survey Act	Act 8 of 1997	Parliament of the Republic of South Africa
Deeds Registries Act, No. 47 of 1937	Act 47 of 1937	Parliament of the Republic of South Africa
Education Affairs Act	Act 70 of 1988	Parliament of the Republic of South Africa
Housing Act	Act 107 of 1997	Parliament of the Republic of South Africa
Housing Amendment Act	Act 4 of 2001	Parliament of the Republic of South Africa
South African Schools Act	Act 84 of 1996	Parliament of the Republic of South Africa
North West Land Administration Act	Act 4 of 2001	North West Provincial Legislature
North West Land Administration Amendment Act	Act 4 of 2003	North West Provincial Legislature
Treasury Regulations	15 March 2005	National Treasury

5.2 Other Directives / Guidelines

SOURCE	DATED	ISSUED BY
National Treasury Practice Notes http://www.treasury.gov.za/divisions/sf/sc/PracticeNotes/default.aspx	Issued from time-to-time	National Treasury
Departmental Financial Reporting Framework Guide: - Chapter 1: Departmental Financial Reporting Framework Guide - Chapter 8: Disclosure Notes - Chapter 9: Accounting for Capital Assets (as amended annually)	For the year ended 31 March (as amended annually)	National Treasury
Departmental Guide: Accounting for Immovable Assets (Property)	March 2017 and beyond	National Treasury
Accounting Policy Regarding Basis for the Treatment of Assets, in the Asset Registers of Provincial and National Departments	22 May 2006	National Treasury
Minimum requirements for an Asset Register	2015 and beyond	National Treasury
Asset Management Framework (Version 3.3)	April 2004	National Treasury
Vesting Guidelines	30 March 2017	Department of Rural Development and Land Reform
International Accounting Standard 16 -	31 December 2008	IFRS

Property, Plant and Equipment		
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5.3 Departmental

SOURCE	DATED	ISSUED BY
Asset Management Delegation of Authority	24 October 2017	Premier of the North West Province
Financial Management Delegations of Authority		

6 GUIDING PRINCIPLES

6.1 Government Immovable Asset Management Act

The Government Immovable Asset Management Act, Act 19 of 2007 provides for:

- (1) A uniform framework for the management of immovable assets that is held or used by the Department; to ensure the coordination of the use of immovable assets with the service delivery objectives of provincial departments.
- (2) Issuing of guidelines and minimum standards in respect of immovable asset management by provincial departments.
- (3) Matters incidental thereto.

6.2 Treasury Regulations

- (1) Treasury Regulation 10.1 refers to the Accounting Officer's responsibility for asset management in terms of Section 38(1)(d) of the PFMA.
- (2) Treasury Regulation 10.2 refers to the North West Provincial Treasury's powers, authority and prerogatives regarding assets accruing to the state by operation of any law in terms of Section 76(2)(i) of the PFMA, on behalf of the state.
- (3) Treasury Regulation 5.2.2(e), (f) and (g) prescribes the asset details that must be included in the Department's annual Strategic Plan.
- (4) Treasury Regulation 6.4.1(a) prescribes the condition for the roll-over of unspent funds on payments for capital assets in terms of Sections 30(2)(g) and 31(2)(g) of the PFMA.
- (5) Treasury Regulation 6.7.1(d), for purposes of ensuring alignment between the new Economic Reporting Format, the PFMA and the Treasury Regulations, defines capital expenditure referred to in the PFMA as the same as payments for capital assets in the new Economic Reporting Format.
- (6) Treasury Regulation 16A7 prescribes the conditions of disposal and letting of state assets.
- (7) Treasury Regulation 19.6.1 prescribes the North West Provincial Treasury's approval of a trading entity's asset disposal conditions when assets are disposed of other than in the ordinary course of the business of the trading entity, in terms of Section 76(4)(b) of the PFMA.
- (8) Treasury Regulation 19.9.1 prescribes the conditions attached to the transfer of assets upon closure of a trading entity, in terms of Section 76(4)(b) of the PFMA.
- (9) Treasury Regulation 3.2.11(d) and (e) prescribes that the internal audit function must assist the accounting officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following:
 - (a) Safeguarding of assets
 - (b) Compliance with laws, regulations and controls.

6.3 Delegation of Authority

The Premier of the North West Province has delegated all powers, duties and functions in terms of section 9 of the North West Land Administration Act, Act 4 of 2001 and section 4 of the Government Immovable Asset

Management Act, Act 19 of 2007 to the Accounting Officer of the North West Department of Public Works and Roads.

7 PROCEDURAL GUIDELINES

7.1 Asset Management

7.1.1 Appointment of Role Players

- (1) The appointment of all asset management role players shall be in accordance with departmental Asset Management Delegations. All role players shall perform their duties in accordance with their job profiles and take cognisance of the respective delegations applicable to their designation.
- (2) The Chief Financial Officer or his/her delegate shall draw up procedures on the management of assets in accordance with the appropriate directives and/or guidelines in cooperation with the Asset Management component.

7.1.2 Asset Register

- (1) All immovable assets belonging to the Department shall be recorded in its major asset register. All assets are initially recorded at cost, in the major asset register.
- (2) The asset register shall be maintained in the format determined by the National Treasury. The format complies with the requirements of applicable governing prescripts.

7.1.3 Immovable Asset Classification

Immovable assets are always major assets. A major asset is acquired with capital funds under the capital budget of the Department.

7.1.4 Immovable Asset Categories

The following immovable asset categories apply:

7.1.4.1 *Tangible Capital Assets*

Tangible capital assets are non-monetary assets having physical substance that:

- (1) Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets.
- (2) Have useful economic lives extending beyond an accounting period.
- (3) Are used on a continuing basis.
- (4) Are not for resale in the ordinary course of operations.

7.1.4.2 *Heritage Assets*

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

7.1.4.3 *Components*

Components are parts of a capital asset and are not sufficiently important to be considered separate capital assets. Such capital goods form part of the main capital asset but have a useful life that is different to that of the main asset. Components are usually not functional in their own right. These items are often replaced over the lifetime of the main asset and form a significant part of the main asset in terms of their importance to its main use and value. Components whose cost exceeds the capitalisation threshold are considered capital components. An example of a capital component is ventilation systems of buildings.

7.1.4.4 *Assets Acquired in terms of a Finance Lease*

Departments are at present not required to include assets acquired through finance leases in their asset registers where the finance lease period has not yet expired. These assets must be reflected in the finance lease register maintained by the department (refer to Chapter 8). Where the finance lease agreement has

expired and the department continues to use the asset, the asset must be recorded in the main asset register.

7.1.4.5 Investment Property

Investment property is property (land or a building, or part of a building, or both) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (1) Use in the production or supply of goods or services or for admin purposes.
- (2) Sale in the ordinary course of operations.

7.1.4.6 Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- (1) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
- (2) Are expected to be used during more than one reporting period.

7.1.4.7 Buildings and Other Fixed Structures

This asset category is divided into two main components:

- (1) **Buildings:** These assets are fixed structures which are inhabitable by people, animals or plants or which can be used for storage.
- (2) **Other Fixed Structures:** This asset category consists of all fixed structures other than buildings. It includes roads, bridges and dams.

7.1.4.8 Land and Sub-Soil Assets

This asset category may be divided into two parts:

- (1) **Land:** As the name implies, land consists of land, but excludes structures on it. It also excludes improvements to land. Improvements to land are recorded under buildings or other fixed structures, as the case may be. Furthermore, if it is not possible to separate the value of the land from the structures on it, the combined value of the acquisition should be recorded under buildings or other fixed structures.
- (2) **Subsoil Assets:** Subsoil assets consist of proven reserves of oil, minerals and ores. Where this item is applicable, detail must be provided in the accounting officer's report. This should provide information with regard to valuation methods. It should be indicated with whom the property and mineral rights vest.

7.2 Recognition of Immovable Assets

7.2.1 National Department of Rural Development and Land Reform (DRDLR)

- a) All un-surveyed state land, including those from the former TBVC States and Self Governing Territories and state land in the former territory of the Republic of South Africa (pre 27 April 1994);
- b) all surveyed but unregistered land parcels falling into the custodian function of the department;
- c) all land vested with the national government situated in the former TBVC states and the former Self Governing Territories including any communal land located in these areas with the exclusion of land governed by the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act 3 of 1994) as amended;
- d) all former South African Development Trust land unless custodianship clearly resides with another party in terms of specific legislation or have been confirmed vested in a province;
- e) all land held for land reform purposes; and
- f) any land where the department is deemed to be the custodian.

DRDLR is responsible for driving the process to ensure that all abovementioned land parcels are identified. Where the un-surveyed land cannot be quantified a description of the land should be disclosed in a narrative format in the secondary information notes to the financial statements.

For example: 'There are land parcels in the following provinces that have not been surveyed yet Gauteng, Limpopo and North West. It is estimated that surveying would be completed during the next 'number of' financial years.'

7.2.2 National Department of Public Works (DPW)

- a) all **facilities** used by the national government located on **un-surveyed** land or surveyed but unregistered land including those from the former TBVC States and Self Governing Territories and state land in the former territory of the Republic of South Africa (pre 27 April 1994), or located on land governed by the KwaZulu-Natal Ingonyama Trust Act (pre 24 April 1994) as Amended;
- b) all land in the former territory of the Republic of South Africa (pre 27 April 1994) **registered** in the name of the *National Government of the Republic of South Africa*, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;
- c) all land in the former territory of the Republic of South Africa (pre 27 April 1994) **registered** in the name of any of the historical holders of national state land (e.g. Governor of the Cape of Good Hope; Union of South Africa; Minister of Lands, Republic of South Africa; etc.) before the advent of the democratic dispensation in 1994, that is deemed to vest in the national government, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;
- d) all land **vested** with national government and situated in the former TBVC states and Self Governing Territories occupied by a national department in support of its service delivery objectives (e.g. a magistrate's court or prison) and or where DPW performs the custodial functions (barring the disposal thereof) in terms of section 4 of the GIAMA;
- e) all former South African Development Trust land, which by proclamation vest with DPW;
- f) all **surveyed but unregistered** land parcels falling within the custodian function of the department;
- g) all **facilities** constructed and used by the national government on land where DPW is not the custodian subject to the terms any agreement written or oral;
- h) all properties acquired by DPW for the discharge of its mandate;
- i) any properties that fall within the custodianship of the national government through a process of law or other forfeiture process except those specifically related to land reform;
- j) any properties listed in the Deeds Registry as State properties not claimed by another custodian (national or provincial) until such time as a rightful custodian can be identified; and
- k) any property where the department is deemed to be the custodian.

DPW is responsible for the co-ordination and identification of properties vested with national and provincial government and as such should liaise with the national departments and the provinces to identify any possible omissions or duplications. The department should also liaise with the Director-General of DRDLR (as the competent authority to issue the certificate) regarding Item 28 (1) Certificates that have been issued (also referred to as Section 239 Certificates in terms of the Constitution).

7.2.3 North West Provincial Department

Provincial custodians should record the following:

- a) all properties confirmed **vested** with a province shall be recorded by the department to which the Premier has designated the function for the administration of such assets. This would normally be the provincial department of public works. In the absence of such delegation, the assets shall be reflected in the asset register of the Premier's office;
- b) where more than one custodian exists in a province, legislation should prevail for example, land parcels designated for human settlement (including areas for roads and public open spaces related thereto) should be recorded by the Department of Human Settlements as the custodian in terms of the Housing legislation.

Land in this instance represents 'assets held for distribution' and should be reflected as Inventory and not immovable assets;

- c) where specific legislation does not exist the delegation by the Premier of a specific mandate for managing specific assets should prevail for example, the reporting of roads infrastructure by a Departments of Roads where it exists as a separate function;
- d) all **facilities** used by the provincial government located on **un-surveyed** land, or surveyed but unregistered land or land governed by the KwaZulu-Natal Ingonyama Trust Amendment Act (pre 24 April 1994);
- e) any properties where the province is deemed to be the custodian;
- f) all facilities constructed, used and or maintained relating to a provincial function but not on provincial land, subject to the terms of any agreement written or oral; and
- g) all **surveyed but unregistered** provincial land parcels falling within the custodian function of the province.

The provincial department responsible for the administration of the immovable assets must ensure that all provincial properties are identified and recorded.

The department should also liaise with the national DPW as well as the Director-General of DRDLR (as the competent authority to issue the certificate) regarding Item 28 (1) Certificates that have been issued.

Where an agreement of deemed custodianship has been reached between a province and the national custodians regarding land that should vest in a province, such agreement should be formalised. A Section 42 transfer should be done to the province by the DRDLR/DPW for recording purposes where the property was previously recorded in a register of the national department, except where an Item 28(1) Certificate is issued at the same time.

7.2.4 Other Custodians

Other custodians should record the following:

- a) All land confirmed vested in them through section 4 of the GIAMA.
- b) All land allocated by any other legislation or proclamations prior to the GIAMA.
- c) .Properties assigned to custodians through section 18 of GIAMA.

7.3 Recording and Reporting

- a) all land for which an endorsed title deed is on hand in the name of the appropriate government, national or provincial, should be recorded in the Asset Register of the custodian and reported on in the note for immovable assets in the financial statements;
- b) all land for which an Item 28 (1) Certificate (or Section 239 Certificate) has been issued, should be recorded in the Asset Register of the custodian so appointed and reported on in the note for immovable assets in the financial statements;
- c) all land which by virtue of legislation is under the custodianship of a national or provincial custodian and where there is no requirement to vest such land, should be recorded in the Asset Register of the relevant custodian and reported on in the note for immovable assets in the financial statements;
- d) all land for which a title deed is on hand in the name of a national or provincial government (including those in the name of a recognised historical name for the province or national) or confirmed with the Deeds Registry, and appropriate for the custodian, should be recorded in the Asset Register of that custodian and reported on in the note for immovable assets in the financial statements, read with Section 239 of the Constitution, Act 200 of 1993;
- e) all property which is deemed to vest in the custodian (per definition) should be recorded in the Register of the deemed custodian and reported on in a narrative format below the note for immovable assets in the financial statements;
- f) land not yet surveyed should not be included in the Asset Register of the DRDLR but separately disclosed in a narrative form, reflecting the province it is situated in and an estimation of when it will be surveyed, below the disclosure note for immovable assets in the financial statements;
- g) g. all surveyed but unregistered land parcels, without Item 28(1) certificates, should be reflected in the Register of the relevant national or provincial custodian and reported on in an annexure to the financial statements, reflecting movement during the year of properties registered;
- h) h. all facilities constructed on land not yet surveyed and occupied by a national or provincial department must be recorded in a separate Register by the national custodian or relevant provincial custodian and reported on in a narrative format below the note for immovable assets in the financial statements, indicating the number of facilities, functions of the facilities and average duration of any agreements to use;
- i) all facilities constructed on land where only a right to use exists must be recorded in a Register and reported on in a narrative format below the note for immovable assets in the financial statements, indicating the number of facilities, functions of and duration of use as per the right given (the 'right to use' should be tested against the definition of an intangible asset and dealt with accordingly);
- j) properties, for which an agreement of custodianship had been reached and a transfer received, (was in another register before) complying with Section 42 (of the PFMA), must be recorded in a separate Register and disclosed in a narrative note to the financial statements. The Section 42 must be used between departments in the same sphere of government. The note should indicate the number of land parcels. A reconciliation indicating movement during the year in terms of transfers received and issued, should be indicated;
- k) the national custodian must present in narrative format an overall view reflecting requests for Item 28 (1) lodged and issued for national custodians and per province during the year, as well as the balance to be issued. An estimate should be given for issuing the remainder with motivation for the timeline. An overall view of total land parcels still to be vested could be given by the national custodians expressed as a percentage of total identified state land, where available;
- l) construction of or improvement to a facility on a custodian's land should be recorded in the Asset Register of the budget holder when the asset is ready for use and reported on in the note for immovable assets in the financial statements. On final completion of the project the asset must be transferred to the relevant custodian fulfilling the requirements of Section 42 of the PFMA. In the year of transfer it must be recorded in the Asset Register of the custodian and reported on as a non-cash transfer in, in the notes for immovable assets to the financial statements. The budget holder should record a transfer out in the Asset Register and report a non-cash transfer out in the notes to the financial statements;

- m) any land acquired by a user for the construction of a facility must be reflected in its Asset Register on registration of title and subsequently transferred to the appropriate national or provincial custodian complying with Section 42 of the PFMA;
- n) any properties recorded (by the DPW) as a result of an indication by the Deeds Registry that it is state land but unclaimed by another custodian, must be recorded in a Register and reported on as a contingent asset in an annexure to the financial statements until such time as the rightful custodian or owner can be identified.

7.4 Interim Arrangements (Vesting)

Until the vesting process has been finalised and the relevant custodians identified the following arrangements should be followed:

- a) The recording of structures constructed or under construction on tribal or communal or private or municipal land will be dependent on the terms and conditions of the agreement with the relevant tribal/communal/municipal authority. Where the intention is not clear, other matters to be taken into consideration include who will be responsible for the maintenance of the building in future, who will pay for the municipal services and who will benefit from the use of the asset (reporting will be facilitated where progress payments are accumulated during the construction period and the transfer to the beneficiary done through the asset register of the budget holder);
- b) b. The cost of construction on a custodian's land (new structure or improvement of existing facilities) should be recorded by the budget holder during construction (reflected as work in progress) and once the facility is ready for use included in the Asset Register of the budget holder. On final completion of the project (project close out) the costing should be done by the budget holder and its Asset Register updated. Subsequent to that the facility must be transferred to the appropriate custodian complying with section 42 of the PFMA;
- c) Facilities, ready for use, located on land as noted in (a) and (b) above must be recorded and disclosed from the 2013/14 financial year, thus only projects where the underlying asset was 'ready for use' during 2013/14 and thereafter should be so recorded, thus prospective application not retrospectively. (The intention is that the arrangement should be applied prospectively and that departments will have time to prepare for the accumulation and disclosure of construction cost as work in progress, going forward after 2012/13);
- d) d. Where land that should be recorded and disclosed by other custodians for example, Department of Defence or Water and Sanitation, but are still included in the Asset Register of another national custodian, it may remain as such for the 2012/13 financial year-end but should be reflected by the appropriate custodian for the 2013/14 financial year-end. A transfer in terms of Section 42 of the PFMA must be initiated by the custodian who currently has the assets in its Asset Register;
- e) e. The timing of entitlement that conveys custodianship should be used as guidance for inclusion in the asset register of a custodian, for example:
 - i. An agreement between national and provincial custodians that property should vest with a provincial custodian is the point where sufficient evidence of custodianship has been provided to request an Item 28 (1) Certificate. The assets can be transferred to the provincial custodian using the Section 42 process and the assets disclosed in narrative form until the issue of the Item 28 (1) Certificate, where after it will be recorded in the Asset Register and disclosed in financial terms in the note to the financial statements as the registration process (with the Deeds Office) will be the administrative completion of the entitlement already gained;
 - ii. Where a situation of deemed custodianship exists the property can be included in the Register of the deemed custodian but, for available verifiable reasons, cannot be done at present;
 - iii. The date as set out in the notification afforded through legislation (for example Schools Act including proclamations, for State-aided schools) will be the date entitlement is gained of custodianship and

will be the indicator for inclusion in the relevant Asset Register. The endorsement of the title deed by the Deeds Office will be the administrative completion of the entitlement already gained;

- iv. In circumstances where an Item 28 (1) Certificate is issued for surveyed but unregistered land parcels the custodian must include such land parcels in the Asset Register as the registration process will be the administrative completion of ownership already entitled to. In such circumstances the municipality must be contacted and requested to value the property to ensure a valuation is included in the next supplementary municipal roll. The custodian should include a narrative under the secondary information note to the financial statements relating to immovable assets, to indicate to users the number of properties included in the Asset Register awaiting valuation by the municipality. The custodians are discouraged from having costly formal valuations done instead of obtaining a municipal valuation (Fair Value Model (Annexure A)) as this could lead to duplication of effort and incurrence of fruitless and wasteful expenditure;
- f) As an interim measure for measurement, where a custodian does not have a reliable cost or fair value and is awaiting the municipal valuation or is still in progress with the valuation process, such as for newly surveyed and vested properties, whether registered or not, the affected properties may be reflected at the same value as for exceptional cases. Where this option is used the custodian must indicate the reason for the lack of cost and or fair value and must year on year reflect a reconciliation to indicate the progress made during a particular year in establishing a fair value for the properties previously included in the asset register awaiting fair value. The reason should be included as a narrative under the secondary information note for the immovable assets in the financial statements and the number of properties so affected clearly indicated.
- g) Any issues experienced with measurement (such as mixed use or subdivisions) should be explained in narrative format, giving the user an understanding of the problem. These issues should be addressed during the implementation process of the Model and future alignment to best practice (principles of generally recognised accounting practice) which, may result in different classification and treatment in recording going forward.
- h) Information currently included with regards to the asset register is for purposes of transparency and aligned to the legislative requirements of custodians. Where custodians are not able to quantify issues in financial terms, the issues should be covered in additional disclosure in narrative format.

7.5 Acquisition

7.5.1 Methods of Acquisition of Immovable Assets

Immovable assets may be acquired in the following manner:

- (1) Purchase.
- (2) Expropriation.
- (3) Exchange.
- (4) Letting/Leasing-in.
- (5) Donation.
- (6) Registration of servitudes and usufruct rights.
- (7) Vesting in terms of legislation.
- (8) Conclusion of a land availability agreement.
- (9) Transfer.

7.5.2 Identification of the Need for an Immovable Asset

- (1) The Custodian must ensure that:
 - (a) Users conduct an analysis of their optimal utilization of accommodation in terms of its service delivery objectives and existing accommodation requirements to determine if the existing accommodation cannot be made suitable to meet the need or if alternative accommodation is required. An immovable asset must be used efficiently as it becomes superfluous to a user if it does

- not support the user's service delivery objectives at an efficient level and if it cannot be upgraded to that level
- (b) Regular inspections are conducted of the user's accommodation to determine optimal usage of existing accommodation and to ensure that the immovable assets that are currently used are kept operational to function in a manner that supports service delivery
 - (c) If accommodation is under-utilised or not utilised such accommodation must be relinquished and returned to the custodian, failing which the Custodian will have the right to take back such under-utilised or unused accommodation
 - (d) Users indicate if any of the options referred to in sub-paragraphs 3.2.1 to 3.2.4 below can find application within their U-IAMPs and if not, include a proposed acquisition in their acquisition plans applicable to Sector Departments
 - (e) When a User includes a proposed acquisition in its acquisition plan, an options analysis and a cost benefit analysis is undertaken.
- (2) The analysis of the Custodian must take cognisance of the following options:
- (a) Increasing the utilisation of an under-utilised immovable asset occupied by the User
 - (b) Modifying, refurbishing or upgrading of the existing immovable asset occupied by the User
 - (c) Utilising the immovable assets relinquished by other user departments or from own portfolio
 - (d) Acquiring an immovable asset.
- (3) If an option is identified by the Custodian, the Accounting officer of the User will be informed.

7.5.3 Assessment Criteria of the Options

The Custodian must assess the options referred to in sub-paragraph 3.2 above according to the following criteria:

- (1) **Physical Factors** - In deciding what the most effective option would be the Custodian Department must consider the following:
- (a) **Location** - It is necessary to determine the optimum location of the immovable asset in relation to the services that must be provided and the possibility of negative impact as a result of relocation
 - (b) **Design and functional factors** - The standards and norms issued under GIAMA must be taken into account as well as the functions that are performed to achieve the service delivery objectives
 - (c) **Flexibility** - Factors to be considered are the permanency of the services to be delivered the possibility in growth in or change of type of service delivered, the degree of flexibility required for the delivery of the service or a change in the method of delivering the service.
- (2) **Risk Factors** - The Custodian Department must conduct a risk analysis to assess the risks inherent in the different options. The risk analysis must include:
- (a) An identification of risks involved in each of the options
 - (b) A determination of the possible impacts of these risks on the User Department
 - (c) An assessment of the likelihood that the risks identified may occur
 - (d) The calculation of the financial impact of such risks and ranges of possible outcomes
 - (e) The mitigation factors for each of the risks identified.
- (3) **Financial Factors** - The Custodian Department must conduct a financial analysis to ensure affordability and value for money over the life of the option decided on. The financial analysis must include the following:
- (a) The identification and quantification of life-cycle costs to be incurred during the lifecycle of the proposed immovable asset, including acquisition cost, operation and maintenance cost and disposal cost
 - (b) Funding options available and factors impacting on funding considerations such as capital cost, the availability of funding
 - (c) An evaluation of the return on investment on an acquired immovable asset against the alternative options.
- (4) **Legislative Compliance Factors** - The Custodian Department must conduct a legislative analysis of the legislation applicable to any of the options to ensure compliance thereof.
- (5) **Socio-Economic Factors** - The Custodian must conduct a social impact assessment to ensure that the proposed option supports government's social and empowerment objectives. Specific attention must be given to the following:
- (a) Activities that could contribute to addressing the historically skewed ownership of immovable assets in the Province
 - (b) The creation of jobs

- (c) Compliance with the Supply Chain Management regulations issued in terms of the PFMA and the objectives of the Broad-based Black Economic Empowerment Act, 53 of 2003
- (d) Activities in support of the Property Transformation Charter
- (e) The quantification of economic benefits and disadvantages to the community, the Province, over the life of any of the options.

7.5.4 Acquisition of an Immovable Asset as opposed to a Non-Asset Solution to achieve Service Delivery Objectives

- (1) The Custodian must evaluate the acquisition plan of the User Department based on the information generated by the option analysis.
- (2) If, based on an evaluation of the options analysis, the Custodian concludes that none of the options referred to in paragraph 3.2 is feasible and that a new immovable asset must be acquired, it must:
 - (a) Inform the User Department of its finding
 - (b) Together with the User Department develop an implementation programme to secure the new accommodation in line with the budgeting process.
- (3) The User Department must support the Custodian in its request and for funds from the Provincial Treasury in accordance with its implementation programme.
- (4) The Custodian must following the allocation of funds from Provincial Treasury acquire an immovable asset in terms of the acquisition priority list.
- (5) The Custodian must amend the Custodian Immovable Asset Management Plan (C-IAMP) to reflect the new acquisition.

7.5.5 Immovable Asset Acquisition Methods

The Custodian may consider the acquisition methods in clause 7.6.1 above.

- (1) The Custodian acts as an agent to the User Department for the acquisition of immovable asset through purchase or leasing and the provisions of the PFMA apply to the acquisition processes.
- (2) The acquisition of immovable assets through purchasing or by leasing must generally take place by means of open bid or quotation procedures as per the standard acquisition procedures of the Custodian.
- (3) The negotiated procedure may be used to acquire immovable assets in the following instances, but not limited thereto when custom built or specialised accommodation is required.
- (4) Where accommodation is required at an airport, radio communication site or any similar scenario
 - (a) When a valid motivation by a User Department, e.g. when a specific locality is imperative due to service delivery needs
 - (b) When an acquisition is from another sphere of government or its agencies.
- (5) When newly established components of a User Department cannot function separately from existing structures.
- (6) When highly successful negotiations have been conducted in the recent past, which led to concessions by the landlord.
- (7) When a lease is expiring and the arrangements to relocate are not in place.
- (8) Acquisition by means of expropriation must take place in terms of the applicable legislation.
- (9) Any exchange or donation of an immovable asset must take place as stipulated in the Land Administration Act.
- (10) If an immovable asset is acquired through the transfer of custodianship between Custodians and the provisions of the Constitution with regard to the vesting of an immovable asset and the provisions of GIAMA apply.
- (11) If an immovable asset is acquired through land availability agreement the Custodian must implement its standard acquisition procedures to identify developers.

7.5.6 General Requirements for Immovable Asset Acquisition

- (1) Any immovable asset to be acquired by the Custodian must be valued by a person registered as a professional under the Property Valuers Profession Act, 47 of 2000 .
- (2) Any immovable asset acquired by the Custodian must be transferred into the name of the North West Provincial Government.
- (3) All immovable assets that are acquired by the Custodian must be captured on the Immovable Asset Register.

7.6 Disposal

7.6.1 Principles

The provincial Government as a general rule will not dispose its immovable assets, should it however decide to dispose, the following guiding principles will apply:

- (1) Immovable assets may only be disposed if it is superfluous to provincial Government services.
- (2) The disposal of immovable assets must contribute to the fulfilment of Government's strategic objectives and its socio-economic responsibilities.
- (3) Disposal to other organs of state, particularly in furtherance of socio-economic objectives of Government, must take priority over disposals for commercial purposes. In other words, when faced with a choice of disposing of an immovable asset for socio-economic or commercial purposes, the assets shall be disposed of to further the socio-economic objective.
- (4) The custodian may not dispose or attempt to dispose of any asset that is not legally under custodianship. As a precursor to the disposal of an immovable asset, it is essential that the ownership of that immovable asset be confirmed. Only the registered owner of an immovable asset can legally transfer that immovable asset to another.
- (5) Disposal of immovable asset must maximise benefits and lessen risk to provincial government. To this end, the Custodian shall, among other things:
 - (a) Enter into sound legal agreement that protects the interest of the Provincial Government
 - (b) Dispose of immovable asset at the best value to provincial government (value is not limited to financial consideration and includes socio- economic benefits).
- (6) The written approval of the executive authority responsible for that immovable asset or a delegated office-bearer / official must be obtained in all disposals.
- (7) All disposals (where the Provincial Government need not consider any socio-economic objective) must be at best value for money.
- (8) User department shall not, conclude a contract with third party in respect of immovable property transaction.
- (9) User Department must use immovable asset for the intended purpose in line with its service delivery objectives. User Department must annually, submit utilization certificates in respect of the optimal utilization of immovable assets allocated for their specific use as stipulated in GIAMA. Any utilised or under-utilised accommodation should be relinquished by the user Department to the Custodian.
- (10) Where a proposed disposal by the Provincial Government, is below the prevailing market value, approval of the provincial Treasury must be obtained.
- (11) If the competitive bidding process does not realise any interest a "TO LET" notice will be erected on the premises to be leased to elicit interest from the public and also consider the unsolicited proposals which were submitted prior to the bidding process.
- (12) Immovable asset will generally be disposed of "voetstoots".
- (13) Leasing of space for advertisement purposes:
 - (a) Advertisements must comply with all relevant municipal by-laws
 - (b) All advertisements must comply with the conditions as set out on the registered title deed of the property
 - (c) The following advertisement material is not allowed:
 - i. Any advertisement in conflict with any statute or regulation promulgated in the Republic of South Africa
 - ii. Promotion of any political party or its views
 - iii. No explicit material allowed.
- (14) The discretion to dispose lies with the Department taking into account the merits of each case.

7.6.2 Reservation of Immovable Assets for Provincial Purposes

- (1) The Custodian's immovable asset management objectives in respect of immovable assets to be used for government purposes are as follows:
 - (a) To utilize, reserve and manage the custodian's immovable assets for broader government purposes in the interest of all provincial communities
 - (b) To utilize, reserve and manage the Custodian's immovable assets for its own use

- (c) To utilize the Custodian's immovable assets as a catalyst for economic growth and development and the creation of a sustainable revenue stream.
- (2) In all circumstances where an immovable asset is reserved for a purpose which falls within a functional responsibility of a user department within the Provincial Government, the user department shall provide for such immovable asset in its User Immovable Asset Management Plan (U-IAMP).
- (3) All U-IAMP's must conform to the principles set out in GIAMA.

7.6.3 Disposal Strategy and Management Plan

The disposal strategy and management plan of the Custodian must incorporate the following information:

- (1) Physical information of the immovable asset such as description, extent, ownership, locality, physical condition, title deed information (including restrictions and servitudes), accessibility.
- (2) Financial information: operational and maintenance costs, assessment of current market value and potential income to be derived from the proposed disposal.
- (3) Operational information: functionality or use of the immovable asset and potential alternative uses.
- (4) Proposed method of disposal and, if known, beneficiary of such intended disposal.
- (5) Timeframes for finalization of transfer following the disposals.
- (6) Specific socio-economic criteria that each proposed disposal will take into account.

7.6.4 Categories of Disposal

- (1) **Land reform**
 - (a) Government's land reform programme aims to redress the injustices of racially-based land policies of the apartheid era, which caused insecure land tenure, landlessness and poverty amongst black people; inequitable distribution of land ownership; the need for security of tenure for all and the need for sustainable use of land. This programme is central to Government's growth, employment and redistribution strategy
 - (b) Where a land claim for restoration of property right is lodged in respect of an immovable asset that vests in the provincial Government and which forms part of the Provincial Immovable Asset Portfolio covered by this policy, the rules and procedures of Land Claims and Restitution of land right Act will apply to the transfer of that land
 - (c) The custodian in conjunction with the Department of Rural Development and Land Reform (DRDLR) should identify immovable assets suitable for land reform purposes. Where feasible and if so required by the DRDLR, the Custodian will release such assets to DRDLR for specified land reform projects
 - (d) The following process will be followed when an immovable asset is transferred to the Department of Rural Development and Land Reform for restitution purposes, the:
 - i. Procedures set out in the North West Land Administration Act, Act 4 of 2001 and subsequent amendments thereto, will apply
 - ii. Principles set out in the GIAMA pertaining to the determination of whether the immovable assets are surplus and whether the proposed disposal would as far as possible realise the best value for money as contemplated by the Act, will apply
 - iii. The transfer of the respective immovable assets (originally dispossessed or alternative land) to the Department of Rural Development and Land Reform will be subject to the condition that ownership to the immovable asset will revert to the Provincial Government, should the immovable asset not be transferred by the Department of Rural Development and Land Reform to the claimant for purposes of land restitution, within three years of the date that the immovable asset is transferred to the Department of Rural Development and Land Reform. This condition will be recorded in the form of a reversionary clause in the Title Deeds of the respective immovable assets
 - iv. The Department of Rural Development and Land Reform will be responsible for all costs incidental to the valuation, subdivision, surveying and transfer of the immovable assets, and will not have any right of recovery of such cost against the Provincial Government should the immovable assets revert back to the Provincial Government in terms of its reversionary right
 - v. The immovable assets will be transferred with its current zoning
 - vi. The Department of Rural Development and Land Reform will transfer the immovable asset to the claimants within three years of taking transfer from the Province subject to the standard "sell on"

conditions of the Department of Rural Development and Land Reform to restrict the sale of the immovable asset by the beneficiaries.

- (2) **Rural development & urban renewal** - Where the immovable asset is identified for socio-economic purposes in terms of the Integrated Development Plan (IDP) and Spatial Development Framework (SDF) of a municipality, the Custodian should consider the disposal of the identified immovable asset to achieve best value for money.
- (3) **Affordable/ social housing and related infrastructure development:**
 - (a) Where an immovable asset is identified for the development of affordable/socio housing and related infrastructure in terms of the IDP and SDF of the municipality, the Custodian should consider the disposal of the identified immovable asset to achieve best value for the money to the municipality
 - (b) As the provision of housing forms part of the service delivery objectives of the Provincial Government the immovable assets identified by the municipality for housing purposes shall be disposed to the Provincial Department of Human Settlement to administer in terms of the national and provincial housing policies
 - (c) When transferring to the Department of Human Settlement a reversionary clause must be included in the Memorandum of Agreement which must be registered against the relevant Title Deed.
- (4) **Immovable asset no longer cost-effective to manage and maintain:**
 - (a) Generally, immovable assets are only of value to provincial government if such assets continue to support service delivery objectives in a cost effective and efficient manner. Therefore, with the exception of environmentally sensitive or culturally and historically significant immovable assets, immovable asset that are no longer cost-effective to manage and maintain should be considered for disposal
 - (b) However, before an unutilised or dilapidated immovable asset is considered for disposal, it is essential that a thorough investment analysis be undertaken to arrive at recommendation as to whether the immovable asset should be disposed of or not. Such analysis should take into account of the Department of Public Works initiative to involve local communities and the private sector in the rehabilitation of dilapidated government building
 - (c) The rehabilitation of a strategically located government immovable asset could serve as a platform for service delivery, whilst stimulating growth by creating an environment for further private sector investment. The Custodian should therefore take measures to ensure the pro-active detection of poorly managed, under-utilised or neglected asset, thus identifying opportunities for immovable asset rejuvenation, whilst reducing the possibility of immovable asset becoming vulnerable to vandalism and illegal occupation.
 - (d) When provincial departments relinquish an immovable asset because it no longer supports its service delivery objectives such immovable asset should be considered for disposal.
- (5) **Reversionary rights** - Where land has been disposed to a beneficiary by way of sale for less than the market value, a reversionary right in favour of the Provincial Government must be registered against the title deed of the immovable asset, which ensures that if the person, who acquires that land, no longer wishes to utilise it for the purpose for which it was acquired, the land reverts back to the Provincial Government. All costs incidental to the reversionary transaction will be borne by that beneficiary.

7.6.5 Criteria for Disposals

- (1) All disposals of immovable assets should be dealt with in accordance with the principles of fairness, equitability, transparency, competitiveness and cost effectiveness.
- (2) All disposals of immovable assets must be at current market value or higher, unless the approval of the provincial Treasury has been obtained (in terms of the Treasury Regulations) to dispose of at less than market value.
- (3) Out of hand Disposals of immovable assets at less than market value may be considered in the following instances:
 - (a) The disposal is direct to other organs of state in furtherance of socio-economic objectives
 - (b) The direct disposal to any other party is rendered necessary by circumstances surrounding the immovable asset, e.g. land locked immovable assets, or land that is insignificant in extent or otherwise not economically viable unless it forms part of an adjacent portion of land
 - (c) The disposal is to a party that renders a function that is normally rendered by a government department
 - (d) Where the disposal will be exceptionally beneficial to, or have exceptional cost advantages to the custodian which would not be realized if a competitive process were to be followed by the Custodian

- (e) Where the plight of the poor, elderly, disabled, household headed by woman and children requires it.
- (4) Out of hand Disposal of Immovable assets at market value may be considered in the following instances:
 - (a) The prospective purchaser must have a causal link to the department from which a legal link can be derived for the particular immovable asset
 - (b) In the case of government employees the disposal of immovable assets may be done without putting it out on tender if the circumstances allow and the necessary approval has been obtained from the appropriate authority
 - (c) The market was tested and there were no responsive bidders or no interest expressed by the market or no bids were made at a public or the reserve price was not attained
 - (d) The immovable asset is not one that would attract interest from the public generally
 - (e) The property has functional capability that can only cater for the specific needs of the identified purchaser
 - (f) The immovable asset in question is landlocked
 - (g) Historical lease agreement gives the occupant a first right of refusal
 - (h) Transfer will address tenure upgrading in terms of the Upgrading of Tenure Land Rights Act, Act 112 of 1991
 - (i) In cases where a property is leased for a period of up to twenty four (24) months without a renewal option, such cases shall be dealt with on a case-by-case basis
- (5) **Reduction of selling price** - The Custodian may in cases of new leases, consider a reduction in the market-related rental based on improvement to the existing immovable asset by the prospective tenant. The reduction will be effected from the date of verification of the improvement by the Custodian.
- (6) Criteria when disposing to indigent parties:
 - (a) Immovable assets may be disposed of only at market-related prices, except when socio-economic factors demand otherwise
 - (b) When Custodian on account of the public interest, particularly in relation to the plight of the poor, intends to dispose of a Non-Reserved immovable asset for less than market value it must take into account:
 - i. The interest of the state and the local community
 - ii. The strategic and economic interest of the Custodian including the long-term effect of the decision on the Custodian
 - iii. The constitutional rights and legal interests of all affected parties
 - iv. Whether the interest of the parties to the disposal should carry more weight than the interest of the local community, and how the individual interest is weighed against the collective interest
 - v. Whether the local community would be better served if the immovable asset is disposed at a less than its fair market value, as opposed to disposal at fair market value
 - (c) The Custodian shall dispose of immovable assets when it endeavour to obtain its social objectives at a purchase price which is less than the fair market value subject to a reversionary clause being registered against the title deed of the immovable asset which entitles the Custodian to regain ownership of the immovable asset should the purchaser ceases to use the immovable asset for the initial intended purpose
 - (d) Immovable asset that qualify for the above mentioned less than market value are those to be utilised for social care service providers such as but not limited to:
 - i. Welfare
 - ii. Charitable
 - iii. Cultural
 - iv. Religious organisations
 - v. Child care organisations insofar as it contributes to the functioning of a multi-use childcare facility and is operated on a non-profit basis
 - vi. Retirement villages for that portion of the building or facility available to general public use at subsidized/nominal prices
 - vii. School or centres – utilised for educational purposes or as homes for the physically and mentally challenged persons; non-profit rehabilitation centre; homes/centres for indigent, battered or destitute person; organisations for the homeless and elderly; and youth activity centres but not limited
- (7) Criteria in cases where the rights and needs of the elderly, disabled, indigent, children or households headed by woman are not affected:

- (a) Inform tenant of the landlord's intention to advertise the leased premises for the invitation of offers. This notice is to be served three months prior to the expiry or termination of the lease
 - (b) Offer to be invited through the formal bidding process and obtain market valuation (include facility condition assessment) concurrently. This process to start when the notice referred to in (a) above is served on the tenant
 - (c) On closing of the bid the Department must establish the highest offer and market-related rental
 - (d) If the current tenant submitted the highest offer which is equal or higher than the market-related rental, the tenant will be offered the right to conclude a new lease
 - (e) If the current tenant's offer is less than the highest offer or the market-related rental, the Department will terminate the lease in terms of the agreement and will inform the tenant to vacate the premises, failing which eviction proceedings will commence. Inform Head of Department and Minister of intention to evict
 - (f) In cases where the tenant will have to vacate the premises, a new lease will be concluded with the bidder who in terms of the prescribed evaluation and adjudication processes received the highest points.
- (8) Criteria in cases where the rights and needs of the elderly, disabled, indigent, children or households headed by woman are affected:
- (a) Inform the tenant of the Department's intention to advertise the leased premises for the invitation of offers. This notice must be served three months prior to the expiry or termination of the lease
 - (b) Invite offers through the formal bidding process and obtain market valuation concurrently. This process to start when the notice referred to in (a) above is served on the tenant
 - (c) On closing of the bid the department must establish the highest offer and market-related rental
 - (d) If the current tenant submitted the highest offer which is equal to or highest than the market-related rental, the tenant will be offered the right to conclude a new lease
 - (e) If the current tenant's offer is less than the highest offer or the market-related rental, the tenant will be offered the opportunity to make representations to the landlord which representations must reach the landlord not later than 14 days from the receipt of the notice to submit representations
 - (f) The department will consider the representation and make a ruling on it.
- (9) Criteria for Non-Governmental Organisation (NGO's); Non-Profitable Organisations (NPO's) and Public Benefit Organisations (PBO's).
- (10) **Current leases** - In cases where a NGO; NPO and PBO are occupying the immovable asset and the lease comes to a natural end, the following principles will apply.
- (a) The line function department (i.e. Department of Health, Department of Social Development, etc.) will be consulted to determine if there is still a need for the rendering of the services
 - (b) A notice will be published in the local newspaper and the provincial Government Gazette, calling upon interested parties to submit any representations which they wish to make regarding the Department's intention to continue leasing the immovable assets to the current tenant.
- (11) **New leases**
- (a) In cases where new premises become available for letting, the competitive bidding process will be followed for inviting offers. The NGO's, NPO's and PBO's, should they be interested in leasing the immovable asset, must participate in the bidding process
 - (b) In certain circumstances, where government employees are involved, the bidding process may be dispensed with, if approvals from the appropriate authorities have been obtained.

7.6.6 Forms of Disposal

Immovable assets must be disposed in the following manner:

- (1) Donation ("Gratis" transfer)
- (2) Letting
- (3) Exchange
- (4) Sale
- (5) Public-private partnership (PPP).

7.6.7 Special Disposals

(1) Transfer between spheres of Government

- (a) When the need for an immovable asset is registered with the Custodian, the Custodian must consider whether the immovable asset concerned can be used:

- i. By another user or jointly by different users
 - ii. In relation to the strategic objectives of the provincial government
 - iii. In relation to government's socio-economic objectives, including land reform, black economic empowerment, reduction of poverty, job creation and the redistribution of wealth
- (b) Transfer of immovable of immovable assets contemplated in (a) above shall be subjected to a clearly defined reversionary clause providing for a reversion of ownership to the original Custodian, free of charge, in the event that immovable assets is no longer to be used for the specific socio-economic purpose
 - (c) Transfer of immovable assets from the Custodian to any other Government organ for any purpose other than that referred to above, shall be on condition discretionary to the owner custodian of such immovable assets
 - (d) Notwithstanding what is stated in (a) to (c) above inter-governmental disposal may also be conducted by means of property market principles (arm's length). The Province may therefore dispose of an immovable asset at market value as agreed between the parties
 - (e) If the land is sold on the open market and another government department acquires it at market value no reversionary clause will be registered against the title deed of sold for institutional purposes.
- (2) **Disposal to Political Office Bearers and officials in the employ of Provincial Government**
- (a) The mere fact that political office-bearer or an official in the employ of provincial government is accommodated in a provincially-owned residence does not automatically entitle such political office-bearer or official to acquire such immovable asset in the event of disposal thereof by a custodian department
 - (b) Political office bearer or official in the employ of provincial government may make an offer for acquisition of immovable assets being disposed of through an open tender by a custodian. Such an officer shall be dealt with in terms of the provision of this policy.

7.6.8 Disposal of Rights in Immovable Assets

- (1) **Servitudes**
 - (a) Servitudes may be granted to any person (private or state organ) upon payment of appropriate market-related compensation by such person in accordance with the principles of best value for money by such person
 - (b) Servitudes results in a burden on the immovable assets of the custodian for extensive periods of time, sometimes permanently. It is for this reason that the custodian must grant servitude only after careful assessment of the impact of the proposed servitude on the immovable asset. If the proposed servitude will result in the custodian being unable to productively enjoy, utilise, permanently dispose or otherwise deal with the immovable asset, then the custodian shall grant such servitude.
- (2) **Restrictive title conditions, pre-emptive & presumptive rights**
 - (a) This category of rights relates to restrictive conditions embodied in the title deeds of privately-owned immovable assets in favour of Provincial Government, such as those that restrict the use, subdivision or disposal of privately owned immovable assets unless an authority in Government gives consent, or those that grant the provincial government powers of use, first refusal or resumption of such privately-owned assets
 - (b) On receipt of an application for the removal of any of these conditions, the Custodian shall assess and request payment of appropriate compensation based on the principles of best value for money for the right before granting the necessary approval to remove the condition. Where the relevant Title Deed determines the amount payable for the removal of the removal of the condition, then such value will be payable for the removal of the condition. The relevant legislature for removal of restrictive conditions must still be complied with.
- (3) **Mineral rights**
 - (a) In terms of the Mineral and Petroleum Resources Development Act 2002 (Act No of 2002 the State, through the Minister of Mineral Affairs & Energy, is the custodian of all minerals. Consequently, it is only the Departments of Mineral &Energy (DM&E) that has the authority to grant and control rights pertaining to mineral resources
 - (b) Where mineral resource are on state land, then the Custodian may, on the advice of DM&E, grant consent for the use of surface rights to facilitate mining or related activities. The Custodian's consent shall only be granted if the proposed activity will not negatively impact on the operations and strategic plans of the Custodian. DM&E will advise the Custodian on consideration payable to the

State for the mining and related activities on the State land always bearing in mind the principles of best value for money

- (c) No quarrying of building/construction material is allowed on provincial state land without prior written approval from the Custodian.

7.6.9 Demolitions

If an immovable asset cannot be disposed of in terms of the disposal principles set out in this policy, demolition of the structure may be considered as a last resort to be applied only in instances where the structures are in an extreme state of disrepair and accordance with the prescribed principles.

7.7 Accounting for Immovable Assets

Asset recognition is prescribed in terms of the Departmental Financial Reporting Framework Guide issued by National Treasury for that particular financial year ending 31 March, Chapter 9 - Accounting for Capital Assets.

7.7.1 Initial Recognition

Measurement of properties should be done in line with the Modified Cash Standard (MCS). Assets captured in the Asset Register should comply with paragraphs .69 to .73 of the MCS Chapter on Capital assets, which dictates that measurement should be at cost and where not reliably determinable, at fair value.

Fair value methods in order of preference:

- a) Income Based Method (Municipal Values)
- b) Sales Comparison Method (In the absence of Municipal Values)
- c) Depreciated Replacement Cost (In the absence of Municipal Values and Sales Comparison Method).

7.7.2 Capitalisation Stages

The following stages typically apply to any construction project and the table below indicates at which point capital spend should be capitalised:

Project Status	Steps required in respect of IAR and AFS
Internal projects (DPWR as a budget holder)	
Construction in progress	All work in progress (WIP) projects are disclosed in the disclosure note in the AFS for immovable assets (Cash addition). WIP is disclosed in the disclosure note for WIP until completed and capitalized.
Facility ready for use	Review spend to ensure it is according to the capitalisation guidelines Create a new asset/ update capital spend on existing asset in IAR with sufficient description as provided in baseline IAR definitions. For the AFS the total cost to complete the asset is recorded in the "non-cash additions" column and removed from the WIP disclosure note. Record in the Asset Register of the budget holder and disclose in the AFS

Project close out (Final completion)	<p>Transfer to the custodian (If the budget holder is not the custodian) Review spend to ensure it is according to the capitalisation guidelines</p> <p>Create a new asset/ update capital spend on existing asset in IAR with sufficient description as provided in baseline IAR definitions. For the AFS the total cost to complete the asset is recorded in the “non-cash additions” column and removed from the WIP disclosure note.</p>
Client Departments’ projects (User Department as a budget holder)	
Construction in progress	All WIP projects are disclosed in the disclosure note in the AFS for immovable assets (Cash addition) but they are also removed in the WIP column, giving net effect of zero in the immovable assets. WIP is disclosed in the disclosure note for WIP until completed and capitalized.
Facility ready for use	<p>Review spend to ensure it is according to the capitalisation guidelines Create a new asset/ update capital spend on existing asset in IAR with sufficient description as provided in baseline IAR definitions. For the AFS the total cost to complete the asset is recorded in the “non-cash additions” column and removed from the WIP disclosure note.</p>
Project close out (Final completion)	Transfer the cost of an asset to the custodian in terms of PFMA Section 42.

7.7.3 Valuation Methods

The following valuation methods are relevant in assessing fair value.

- (1) **Open market value:** This value represents the value that will be obtained for an asset; the class of asset being readily traded and the value will be that as quoted in an active and liquid market.
- (2) **Market-based value:** This is a value that is market related and would indicate assets that are not readily traded resulting in a less active and liquid market. Value will be obtained through the adjustment of the open market value of a similar item through the use of price indices or other means to account for the differences between the assets. (Market value is only determined immediately prior to disposal of the asset. However, this is an operational consideration and does not mean that the asset will be revalued for accounting purposes. When an immovable asset is disposed of, the surplus or deficit on disposal would be calculated as the proceeds minus the carrying amount at that point in time. The carrying amount will be the historical cost as determined below).
- (3) **Depreciated replacement cost:** The value is determined by the cost of a new asset of the same type. The cost is then adjusted to take into account the differences between the old asset and the new in terms of bigger capacity and depreciation to reflect the remaining useful life of the actual asset on hand.

7.7.4 Valuation Principles

- (1) Property valuations undertaken to determine the market value of an immovable asset ready for disposal or acquisition will be done in terms of the principles set out in the Property Valuers Profession Act, Act 47 of 2000).
- (2) The Department will employ the various types of valuations for different categories of immovable assets for disposal and acquisition purposes.
- (3) All formal valuations will be commissioned by valuers registered with the South African Council of Valuers.
- (4) Should there be a doubt or dispute as to the market value; the Custodian may nominate an arbitrator whose finding will be final and binding on both parties.

7.7.5 Subsequent expenditure

- (1) Immovable assets are not subsequently revalued in terms of any revaluation accounting model. Consequently, where assets were initially measured at fair value, this fair value becomes the "historical cost" for the purposes of subsequent measurement. They remain at cost in the asset register until the date of derecognition (Derecognition includes the transfer of an immovable asset in terms of the GIAMA processes).
- (2) All subsequent expenditure incurred on an immovable asset of a capital nature must be accounted for, in the statement of financial performance, by the department that has been allocated the capital budget as expenditure on capital assets.
- (3) Subsequent expenditure is categorised in the Departmental Financial Reporting Framework Guide issued by National Treasury for that particular financial year ending 31 March, Chapter 9 - Accounting for Capital Assets as follows:
 - (a) Improvements on government property
 - (b) Improvements on privately owned property
 - (c) Over/under spending on capital project funds
 - (d) Retention monies on capital projects
 - (e) Different categories of project assets.

7.7.6 Work-in-progress

- (1) Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset".
- (2) On completion, the total cost of the project is included in the asset register of the department that is accountable for the asset.
- (3) On Final completion, the completed project value is transferred to the relevant custodian in terms of Section 42 of the PFMA.
- (4) Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

7.7.7 De-Recognition

An immovable asset is derecognised from the asset register when the asset is sold, donated/transferred etc. The proceeds from the sale of an immovable asset are regarded as departmental revenue – Sale of capital assets and are paid over to the relevant revenue fund upon receipt thereof.

7.7.8 Presentation

- (1) All acquisitions of immovable assets are presented on the face of the statement of financial performance under "expenditure for capital assets".
- (2) Subsequent expenditure of a capital nature is presented on the face of the statement of financial performance under "expenditure for capital assets" whilst repairs and maintenance is classified under "goods and services".
- (3) The table below provides guidance on the distinction between Capital and Current projects:

Capital projects	Current Projects
<p>Capital projects – enhance the value of existing asset i.e.</p> <ul style="list-style-type: none"> • Contributes to increase in useful life which is beyond the original useful life expectation • Boosting productivity • Expanding its capacity • Increasing its size • Changing its use • Not undertaken on a recurring basis (otherwise its current) • Examples include: <ul style="list-style-type: none"> - To refurbish all lifts within a building so that they are brought to a certain standard – capital. - New road surface which is of a better quality than the previous surface – capital - Opening up new land by clearing it from trees increases the value of the land – capital - Rehabilitation of an existing asset that has been seriously neglected for a long time – this will significantly enhance the value and capacity of the asset – capital. 	<p>Current Projects – take the form of repair, maintenance, renovations or minor works.</p> <p>Repair and/or Renovation of an existing asset implies that an asset is kept in a good working order</p> <ul style="list-style-type: none"> • Work is not necessarily carried out at regular intervals • Minor works to keep pace with changes in practice or use • Work does NOT <ul style="list-style-type: none"> - Change the capital asset’s performance - Capacity or - Expected useful life <p>Maintenance is work carried out, at a certain frequency or on a conditional basis or as a matter of emergency, to sustain usability of the asset or prevent breakdown.</p> <ul style="list-style-type: none"> • Minor works to keep pace with changes in practice or use – current • Project to support all lifts within a building, carried out on a recurring basis to ensure good working order prevails – current • Paint job not being part of a capital project and expected to be repeated within a given time span (results in maintaining the asset at its original value) – current • Expense on road resurfacing, carried out at a certain frequency and not being part of a capital project (building of a new road) – current • Maintaining the condition of land that has been cleared from trees – current

7.7.9 Disclosure of Immovable Assets

- (1) Immovable assets are to be disclosed, in the Annual Financial Statements of the Department, prescribed in terms of Chapter 9 (Accounting for Capital Assets) of the Departmental Financial Reporting Framework Guide issued by National Treasury for that particular financial year ending 31 March.
- (2) The “expenditure for capital assets” note requires a split between capital costs incurred using voted funds and / or donor funds.
- (3) A detailed listing of all the assets captured in the minor asset register shall be made available to management and the external auditors at year-end. The register should be as at 31 March of the respective financial year.
- (4) A detailed asset register for all major assets must be made available to management and the external auditors at year-end. The register should be as at 31 March of the respective year.
- (5) The Departmental Financial Reporting Framework Guide issued by National Treasury for that particular financial year ending 31 March, provides detailed disclosure note guidance on immovable assets, comprising:
 - (a) Movement in immovable tangible capital assets per asset register for the year ended 31 March
 - (b) Additions to immovable tangible capital assets per asset register for the year ended 31 March
 - (c) Retention monies
 - (d) Disposals of immovable tangible capital assets per asset register for the year ended 31 March

8 MANAGEMENT REPORTING

8.1 Asset Management

8.1.1 Strategic Planning

The strategic plan of the Department, as envisaged in Treasury Regulation 5.2.2 shall include:

- (1) Details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets.
- (2) Details of proposed acquisitions of financial assets or capital transfers and plans for the management of financial assets and liabilities.
- (3) Multi-year projections of income and projected receipts from the sale of assets.

8.1.2 Annual Financial Statements

The Department shall adhere to the reporting standard that comprises modified cash standard for the preparation of annual financial statements that shall *inter alia* consist of a statement of liabilities and financially related assets, unless otherwise approved by the National Treasury.

8.1.3 Quarterly Reporting

On a quarterly basis, the CFO shall report in writing to the Head of Department on the state of affairs of immovable assets in the Department. Such reporting shall include significant acquisitions, disposals and letting of assets and any other matters pertaining thereto. The CFO must present the report to the Accounting Officer.

9 ROLES AND RESPONSIBILITIES

9.1 Accountability

9.1.1 Asset Management Framework

- (1) Individuals and organisations are answerable for their plans, actions and outcomes. Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.
- (2) The Accounting Officer is accountable to the MEC for the overall management of immovable asset management activities.
- (3) The Head/s of Asset Management, executive and senior management are accountable to the Accounting Officer for various high-level immovable asset management and co-ordination activities.
- (4) Individual asset managers are accountable to the Chief Financial Officer, and to their clients, for the services they provide.
- (5) All people exercising asset management functions must have regard to these guidelines and are accountable to management.

10 POLICY COMMENCEMENT, IMPLEMENTATION, REVIEW AND APPROVAL

10.1 Commencement

This Policy takes effect on 01 / 04 / 2018

10.2 Implementation

Responsibility for the implementation of this policy rests with the Head of Asset Management.

10.3 Review

10.3.1 Policy Review

The Accounting Officer must ensure that this policy is reviewed:

- (1) When any changes are made to appropriate legislation, regulations, practice notes and procedure guides.

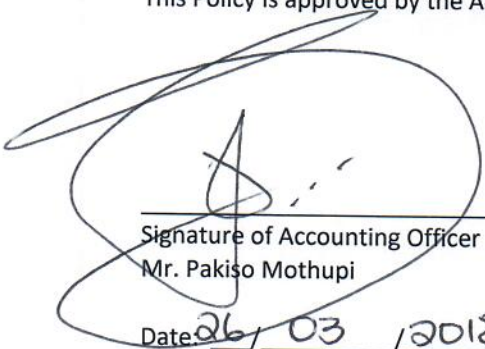
10.3.2 Policy Amendment

The Accounting Officer must ensure that any proposed amendments to this policy:

- (1) Comply with the relevant Act that governs asset management operations.
- (2) Comply with the relevant Regulations that govern asset management operations.
- (3) Report any deviation from the model policy to the National Treasury and the North West Provincial Treasury.
- (4) When amending this Policy the need for uniformity in asset management practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of asset management systems for small businesses must be taken into account.

10.4 Approval

This Policy is approved by the Accounting Officer of the Department.



Signature of Accounting Officer
Mr. Pakiso Mothupi

Date 26 / 03 / 2018