

ITEM: 1

TO: COUNCIL

REPORT OF THE CHIEF FINANCIAL OFFICER

WRITE OFF OF FIXED ASSETS

PURPOSE OF THE REPORT

The purpose of the report is for Council to approve the write off / alienation of the fixed assets in conclusion of the 12/13 annual asset verification.

STATUTORY/LEGAL REQUIREMENT

Section 90 of the Municipal Finance Management Act states that;

90. (1) A municipal entity may not transfer ownership as a result of a sale or other transaction or otherwise dispose of a capital asset needed to provide the minimum level of basic municipal services.

Section 63 of the Municipal Finance Management Act states that:

The accounting officer is responsible for safeguarding and maintenance of assets.

Section 78 of the Municipal Finance Management Act states that:

Each manager is responsible for ensure that the assets of the municipality are managed effectively and that the assets are safeguarded and maintained to the extent necessary.

In terms of GRAP 17 Property, Plant and Equipment:

Assets shall be eliminated from the Fixed Asset Register on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from the asset. Assets retired from active use and held for disposal should be recorded at its carrying amount at the date it is retired from active use.

In terms of the WDM Asset Management Policy, the following methods of disposal are available:

- *Dumping the asset if the item is damaged beyond repair (thus destroying the asset)*
- *Public tender for the disposal of property or letting of assets (thus selling the asset)*
- *Auctioning (thus selling the asset)*
- *Donation (thus transferring the asset to another organ of state at market related value or, if appropriate, free of charge)*

Section 125 of the SCM Policy states the following:

The Municipal Manager will do away with unserviceable, redundant or obsolete assets (including machinery, furniture and other tangible items) and appoint a disposal committee to make recommendation in this regard.

STATUTORY/LEGAL REQUIREMENT

The WDM Asset Management Policy states that:

The Manager Corporate Support & Shared Services should direct the disposal process.

Every manager shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

A fixed asset, even though fully depreciated, shall be written off only on the recommendation of the manager controlling or using the asset concerned, and with the approval of the council of the municipality.

Every manager shall report to the chief financial officer on any fixed assets which such manager wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

DISCUSSION

The annual asset verification was held during February 2013. Physical verification of all assets was done, including those situated at health offices district wide, the Modimolle Disaster Centre, the Lephalale Disaster Centre, Fire Fighting Departments, the WDM Store Room and the Abattoir.

Subsequent to the verification during February 2013, the Budget & Treasury Office consolidated the outcome of the physical verifications and identified occurrences of missing assets.

The listing of assets not found was then distributed to every department who was given one month (March 2013) to investigate the outcome, find the assets and provide feedback to the Budget & Treasury Office. The Network Administrator investigated all missing IT equipment.

The outcome of the verification and subsequent review from departments was that the assets as per the attached Annexure A, B & C could either not be found during the verification process or subsequent investigation or was found broken / no longer required or in use. Where no feedback was provided by departments, the items not found during verification remains on the attached summary. These assets are therefore brought to Council for approval to be written off or alienated.

None of the assets included in Annexures A, B & C are needed to provide the minimum level of basic municipal services.

Every S57 manager is directly responsible for the physical safekeeping of any assets controlled or used by his / her department.

DISCUSSION (continued)

The loss of assets may be deemed as fruitless and wasteful expenditure and can be recovered from the official to which this asset was allocated to. It is for this reason that asset transfer forms have to be compiled every time an asset is removed to ensure that the responsibility remains with the allocated individual.

Subsequent to consolidating the feedback from managers, this item includes the final listing of missing or broken or no-longer-used assets as identified during the verification for Council to consider the alienation or write-off of these assets. Council has not delegated to the MM the authority to alienate assets and therefore the full list is submitted to council for consideration.

After approval by Council for the write off, Asset Disposal Forms has to be completed for all the written off assets and the assets should be removed from the offices (if not reported as missing) and transferred to the CSSS store for storage until alienation.

Once approved by Council, BTO shall remove the assets from the Asset Register and transfer the ones available for disposal to the Non-Current- Assets-Held-For-Sale Register. Assets on this register is not further depreciated, but kept at the Net Book Value on which they were approved for disposal.

Assets that are missing (written off) will be removed from the assets register and their Net Book Values will be disclosed in the Statement of Financial Performance as a Loss on Disposal of Assets / Write - Offs.

All losses (including missing assets) must be recorded on a standard Asset Write Off Form which shall be used for reporting purposes.

The only reason for the writing off of assets, other than alienation of such assets, shall be loss, theft, and destruction or material impairment of the asset in question.

A complete list of all existing alienated assets should be compiled by CSSS after which a public notice is placed in the local newspaper inviting applications from charity organisations and school.

All computer equipment disposed of will be subject to the scrutiny of the IT Division.

A Disposal Committee has been established to assist with the disposal of assets of the institution. Some members have resigned, thus the following committee is recommended. The committee consists of the following members:

F Nogilana-Raphela	MCSSS	Chairperson
J Makgobela	D/M SCM	Permanent member
Maureen Ngoepe	Senior Admin Officer	Permanent member
George Matlou	Senior SCM Administrator	Permanent member

Variable members:

Keoma Bezuidenhout	Network Administrator	When disposing IT equipment
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A representative of the department disposing the assets, if necessary.

DISCUSSION (continued)

Annexure A:

This skid unit was mounted on a vehicle that was involved in an accident which subsequently went missing during repairs at the panel beater. Detailed explanations from the relevant departments responsible for this asset (Disaster) and the insurance claim (CSSS) are attached in Annexure D.

Annexure B:

This is assets that was donated from Department of Health when the function was transferred in 2007, but subsequently when EHPs moved offices, these assets was left behind because they are not utilised by EHPs. They are still being used by the relevant clinics and therefore have to be donated back to the Department of Health.

Annexure C:

These are general assets and IT equipment that is either broken or no longer in use. The significant high-value item is the asset number 1920 Mercedes Benz Rescue Pumper which was involved in an accident and written off by the insurance. Detailed explanations from the relevant departments responsible for this asset (Disaster) and the insurance claim (CSSS) are attached in Annexure D.

Another fire fighting vehicle to be written off as per the insurance claim is asset number 2033 Nissan Hi-Rider for which it is not cost effective to repair the engine. Detailed explanations from the relevant departments responsible for this asset (Disaster) and the insurance claim (CSSS) are attached in Annexure D.

IT equipment to the value of R 51,879.58 is also recommended to be written off. Detailed explanations from the IT department are attached for high-value items asset numbers 1577 HP Tape Drive and 960 Data Projector.

STAFF IMPLICATIONS

N/A

FINANCIAL IMPLICATIONS

Write – off	-	R	77 261.37	(See attached Annexure A)
Donation	-	R	11 370.39	(See attached Annexure B)
Write – off	-	R	2 019 023.07	(See attached Annexure C)
To be disposed-		R	135 592.53	(See attached Annexure C)

OTHER PARTIES CONSULTED

Municipal Manager
Section 57 managers
Senior Admin Officer
Network Administrator

ANNEXURES

- A - Schedule of assets to be written off
- B - Schedule of assets to be donated to Department of Health
- C - Schedule of assets to be disposed
- D - Feedback by departments on missing assets
- E - Previously appointed Disposal Committee

AUTHORITY

Municipal Finance Management Act, No 56 of 2003
WDM Asset Management Policy
WDM SCM Policy
GRAP 17 Property, Plant & Equipment

RECOMMENDATIONS

That Council approve:

1. The report by the Chief Financial Officer & Manager Corporate Support & Shared Services regarding the assets of Waterberg District Municipality to be alienated / written off, as contained in the agenda, be approved.
2. The total assets amounting to R 2 243 247 be removed from the WDM Asset Register.
3. The missing / stolen assets included in this total to the amount of R 2 096 844 be written off.
4. The assets broken / obsolete / no longer used included in this total to the amount of R 135 593 be disposed of.
5. The clinic assets included in this total to the amount of R 11 370 be donated back to the Department of Health.
5. That CSSS compile a complete list of Assets-Held-For-Sale to be alienated / disposed.
6. That CSSS, in conjunction with the Disposal Committee, identify suitable methods to dispose of the assets, whether donation, dumping or auction.
7. That a notice be placed in the local newspaper of the complete list of Assets-Held-For-Sale in order to invite applications from charities and schools.
8. That the amount for insured assets written off be claimed from the insurance company.