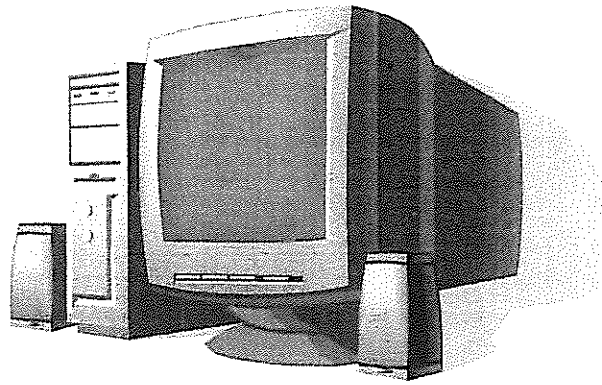
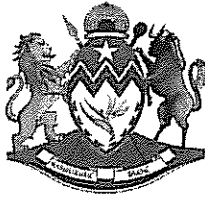


DEPARTMENT OF EDUCATION POLICY ON MOVABLE ASSETS





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1. DEFINITIONS

"Accrual accounting"	A basis of accounting under which transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
"Asset Acquisition"	Addition of assets through outright purchasing , lease , transfer or donation
"Asset Disposal"	A process of removing assets when they are unserviceable, redundant or obsolete.
"Individual location asset register"	A list of Furniture and Equipment allocated to a particular official or end-user, (form E-98 for KZN Education).
"Asset Maintenance"	Regular servicing of asset and or repairs to damages
"Asset management"	The process of guiding the acquisition, use, safeguarding and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life.
"Asset register"	A data source that records information on individual assets, Information may include the assets' location, condition, utilisation and ownership details, as well as the value and depreciation of the asset and its major components.
"Asset"	A resource controlled by the department as a result of past events and from which future economic benefits or service potential are expected to flow into the organisation.
"Assistant Asset Controller"	An employee who is recommended by the Responsibility Manager and appointed by the Asset management to serve as liaison between the directorate and Asset Management.
"Carrying amount"	Is the amount at which an asset is recognised in the statement of financial position (balance sheet) after deducting any accumulated

depreciation and accumulated impairment losses thereon.

"Cost of an asset"	The cost of an asset comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to a working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.
"Current asset"	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
"Department"	Refers to the KwaZulu-Natal Department of Education
"department"	Refers to other government departments both provincial and national.
"Education Centres"	Are centers used by educators, learners and the community to access educational material and information technology.
"Exclusion list"	List of items that are not captured on Asset Register.
"HARDCAT"	This is currently the name of the software that is used by the department to maintain its fixed asset registers.
"Intangible assets"	This category of assets are assets which typically one cannot touch and feel for example trademarks.
"Lease"	An agreement that conveys the right to use an asset, usually for a specified duration, and for an agreed payment or series of payments.
"Finance lease"	A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
"Operating lease"	An operating lease is a lease other than a finance lease

"Non-current assets (fixed assets)" Are tangible (physical) items of significant value.

"Resource Centres" These are facilities that contain libraries and training rooms that are available for the use of educators.

"Strategic Asset Management Plan" A departmental plan that is indicative of all asset acquisition, asset operation and maintenance as well as all asset disposal intentions of the various components

"Tangible assets" These are physical assets that one can touch and feel.

"Teachers Centres" These are facilities that contain libraries and training rooms that are available for the exclusive use of educators.

2. INTRODUCTION

Section 38(1) (d) of the PFMA prescribes that the Accounting Officer is responsible for the management, including the safeguarding and the maintenance of the assets, as well as for the management of the liabilities of the department, trading entity or constitutional institution. In addition, Treasury Regulation No.10.1.2 dictates that the Accounting Officer must ensure that processes and procedures are in place for the effective, efficient, economical and transparent use of the institutions assets.

The intention of this policy is therefore to assist managers and other role-players to interpret and implement sound asset management principles and procedures. As such, the policy covers all departmental assets.

3. BACKGROUND

The introduction of Accrual Accounting, Supply Chain Management (SCM) and the Asset Management Improvement Plan (AMIP) have necessitated the review of the Asset Management function. This policy, therefore, seeks to enable departmental employees to implement the principles of Accrual Accounting, SCM and strategies of AMIP in the management and utilisation of departmental assets.

4. OBJECTIVES

The objectives of the policy are to ensure that:

- all assets are transparently, economically, effectively and efficiently managed, safeguarded, utilised and maintained.
- all asset managers are aware of their responsibilities with regard to asset management.
- the prime objectives of service delivery in the Department are achieved at the optimum level of investment

5. MANDATORY PRESCRIPTS

- a) Public Finance Management Act, 1999 (Act No. 1 of 1999)
- b) Treasury Regulations
- c) Practice Note Number 006 – Issued by Provincial Treasury
- d) Supply Chain Management (SCM) Principles

6. ROLES AND RESPONSIBILITIES

Head Office Asset Management Unit:

- Responsible for development, consolidation and implementation of Asset Management Strategic Plan
- Responsible for the Asset Management Reform in the department.
- Report on a monthly basis on the implementation of the Asset Management Reform to the Asset Management Unit at Provincial Treasury
- Ensure the development and implementation of project plans according to identified milestones
- Resolve problems with regard to the Asset Management Reform and request assistance from Provincial Treasury where no solutions can be identified.
- Manage the Asset Team within the department
- Establish a conducive culture to make Asset Management Reform a success
- Continuous assessment and development of required skills for the Asset Management Teams
- Co ordination of Asset Management activities in the Department
- Monthly and annual reconciliation of Hard Cat to BAS

Service Centres Asset Management Units:

- Responsible for consolidation and implementation of Asset Management Strategic Plan at Service cluster
- Responsible for all assets within that service cluster
- Report on a monthly basis on the implementation of the Asset Management Reform to the General Manager for financial support services
- Ensure the development and implementation of project plans according to identified milestones
- Establish a conducive culture to make Asset Management Reform a success
- Continuous assessment and development of required skills for the Asset Management Teams
- Co ordination of Asset Management activities in the service cluster
- Monthly and annual reconciliation of Hard Cat to BAS

Role description:

Asset Managers

Asset Managers are responsible for the implementation and monitoring of Asset Management at a Departmental level. Asset Managements should create a sense of urgency regarding the reform and ensure momentum is maintained.

Systems Controller

A Hardcat Syscon is required to ensure that the system is running efficiently at all times, attend to system faults and to create and control users on the system.

Asset Controllers

Are officials appointed to render all asset management functions, from the recording of the acquisition and bacording through to the maintenance and disposal of the asset.

Assistant Asset Controllers

They are specifically appointed by Responsibility / Programme managers and are responsible for ensuring that asset delivery, installation, movement and transfers are accounted for and reported to the Asset Management Unit timeously.

Responsibility / Programme managers

Are required to identify the asset needs in line with their programme's strategic plan and objectives and submit inputs for the asset management strategic plan. In addition, they must safeguard assets and ensure their effective utilisation and maintenance

7. PRINCIPLES OF ASSET MANAGEMENT

- Service delivery needs are to guide asset practices and decisions
- Asset planning and management are to be integrated with strategic business plans, budgetary and reporting processes of the department
- Asset management decisions are to be based on evaluation of alternatives that take into account full life cycle costs, benefits and risks of assets
- Ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented
- Asset management activities are to be undertaken within an integrated departmental asset management policy framework

8. SCOPE OF APPLICATION

This policy applies to Head Office, Service Delivery Clusters, Service Centers, District offices, Circuit offices, Education Centres, Resource Centres, Teachers Centres and all public schools.

This policy does not apply to:

- immovable assets such as land and buildings and
- current assets such as cash and inventory

9. CLASSIFICATION OF ASSETS

Assets vary considerably in their size and nature, and it is useful to classify them into logical groupings for management control and financial treatment. Classifications may also be imposed by external reporting requirements. Typical of these standards, are standards set by the IFAC for financial reporting (local equivalents will be set locally by the Accounting Standards Board (ASB) and the reporting standards set by the Government Finance Statistics (GFS) of the International Monetary Fund (IMF).

From the various accounting standards, the following are the broad categories of assets:

- current assets and non-current;
- tangible and intangible assets;
- movable and immovable;
- financial and non-financial; and
- Primary and Secondary assets.

9.1 Assets may be current or non-current (fixed)

Assets may have a short life cycle due either to an inherent feature (perishable goods for example) or because they will be converted into cash or another asset or consumed within the Department within a short timeframe (deposits, investments, raw materials or inventory and debtors are examples). These assets are generally referred to as "current" in accounting terms, as they can be consumed or converted into something else within the next twelve months after the reporting date. Only principles and practices over non-current assets have been included in this policy.

In contrast, Non-Current (Fixed) Assets have an extended useful life greater than one year and it is usually expected that these assets would be used during more than one reporting period. This may reflect their physical life in the case of tangible assets or their legal life (e.g. patent) in the case of intangible assets.

9.2 Tangible (physical) or intangible

Tangible assets are physical in nature. These are assets that one can touch and feel, intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.

9.3 Movable and Immovable Assets

All tangible assets can also be divided into two groups:

- movable assets; and
- immovable assets.

Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, and motors). All inventories and valuable and most fixed assets belong to this category. The only fixed assets that are not movable are fixed structures, such as buildings, bridges and roads.

Immovable assets consist of:

- All non-produced, non-financial tangible assets, namely land, subsoil assets, non-cultivated biological resources and water resources;
- Some fixed tangible assets, namely fixed structures (bridges, houses and roads), or
- Tangible - movable or immovable e.g. water, land ~~ and intangible e.g. patents, leases and goodwill.

Fixed assets include tangible and intangible assets.

Examples of fixed tangible assets are;

- Land;
- Subsoil assets;
- Non-cultivated biological resources;
- Water resources;
- Fixed structures, for example bridges, houses and roads;
- Machinery and equipment, for example calculators, computers, sewing machines and furnaces;
- Transportation equipment, for example cars, trucks, aircraft and boats;
- Engines and motors;
- Cultivated assets, for example olive and fruit trees; and Livestock used for reproduction and dairy production.

Examples of intangible assets are:

- Computer software;
- Entertainment, literary or artistic originals;
- Patented departments;
- Leases and other transferable contracts;
- Purchased goodwill; and
- Mineral exploration rights.

9.4 Financial and Non-financial Assets

Assets may be classified as financial assets, such as cash, treasury bills, bonds etc, or they may be classified as non-financial. Non-financial assets may be tangible such as vehicles, machinery, buildings etc. They may also be in-tangible, such as trade marks, licenses or patents.

9.5 Primary and Secondary Assets

Assets that fall into this classification will have components, each of which can be considered as a unique asset in its own right, but related to others. An example would be a desktop personal computer, the screen and CPU and the keyboard.

The "primary asset" will be the CPU with the other peripherals registered as linked "secondary assets". In this way all components can be tracked during their lifetime,

Secondary assets have a different depreciation method, useful life and depreciation rate from the Primary assets.

10. ASSET MANAGEMENT PROCESSES

10.1 Planning

The Department's asset management plans will be fully integrated with the

department's strategic plan, operational plan and annual performance plan. The strategic plan of asset management is, therefore, and informed perspective on the acquisition, operation, maintenance and disposal of assets.

10.2 Needs Analysis

The needs analysis exercise requires all responsibility managers to complete an Acquisition Plan by 15 March of each year indicating, inter alia, their key performance areas and motivation for new assets. The Asset Acquisition Plan integrated into the department's Procurement Plan.

10.3 Economic or Investment Appraisal

This is a systematic analysis of the costs and benefits of the various options available for the acquisition of an asset. Where the benefits of both purchasing and hiring are equivalent, asset management will choose the option with the highest benefit. Asset Management will work closely with the Demand and Acquisition to gather inputs on the assessment of the relevant industry and market conditions.

10.4 Approval of acquisition of assets

In terms of SCM principles the acquisition of assets by the end-users is approved by Manager Logistics, Asset and Disposal Management in respect to head office and by financial directors for services centres, district and circuit offices. The approval will be made on the basis of information on the department's Asset Acquisition Plan. This includes the approval of the acquisition of Labour Saving Devices (LSDs) such as computers, digital cameras, printers, etc. which is done on the bases of the recommendations by the Information Technology Committee (ITC).

10.5 Preparation for delivery, recognition and safeguarding of the assets.

Asset Management will ensure that the Responsibility Manager has prepared suitable space and relevant forms for the delivery of an asset. In addition Asset Management has to ensure that all necessary systems for the recording of an asset are in tact. Responsibility managers to ensure that assets will be put into use as soon as it is received by the user.

10.6 Measurement and recording of assets at acquisition

10.6.1 Purchases made after 1 April 2004

In terms of the International Accounting Standard for Property, Plant and Equipment, IAS 16, the initial recording of an asset in the asset register will be done at cost.

10.6.2 Purchases made prior to 1 April 2004 :

- The assets will be recorded at fair value.

The following valuation methods could be relevant in assessing fair value:

1.1 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.

Example

The value for a motor vehicle can be obtained from a dealers' guide which provides the trade-in and retail value by car make, model and year.

1.2 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.

Example

A helicopter no longer produced can be related to the value of a similar helicopter currently produced.

1.3 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.

Example

A set of boardroom furniture that is priced at the value of a new set of the same type but depreciated for the age of the set on hand.

- Fair value should be established as at the first reporting date that it is recorded in the asset register and recognized in the disclosure notes to the annual financial statements as an asset
- Where it is impossible to obtain fair values, assets may be recorded at R1.
- Where the purchase date of the asset is unknown, the asset can be loaded onto the asset register with the purchase date of 31st March 2004.

10.6.3 Subsequent Changes to the Value of an Asset

Where there are changes to the asset, once it has been recorded in the fixed assets register, the following should be established:

- i. Where the changes result in an increase in its service potential the expenditure is deemed to be capital expenditure and should be added to the value of the asset at the current cost of that expenditure. Such increased value would impact on the Annexure to Annual Financial Statements on assets.
- ii. Where the changes are required to restore the asset to an acceptable condition, the expenditure so incurred will be deemed to be current expenditure and should not be added to the value of the asset. Such expenditure will be included in the income statement.
- iii. The department will not revalue its movable assets.
- iv. The department will not assess its assets for impairment losses.

10.6.4 Operation and Maintenance of assets

Operation and maintenance of assets will be done according to the Department's Operations and Maintenance Plan. The Responsibility Manager has to acquaint himself or herself with the operating policies and standards relevant to the assets allocated to him or her.

All asset maintenance needs shall be reported to Asset Management who will, in turn implement the necessary assets management processes.

10.6.5 Removal of assets

The Removal of State Property Form (RSPF) must be completed by the Responsibility Manager whenever assets are removed from the office on account of repairs, loan and or temporary to another person. The RSPFs will be kept by the Asset Controller who will submit monthly returns to asset management.

10.6.6 Transfer of assets

10.6.6.1 Transfer of assets within Department

When assets are transferred within the department, the Asset Transfer Form (ATF) must be completed by the affected Responsibility Manager. The Asset Register and the Asset list Register must be updated accordingly and timeously.

10.6.6.2 Transfer of assets into Department

Asset transferred from other departments or institutions into the Department will be dealt with in the following manner.

- Receive an asset list of the asset being transferred into the department together with substantiating records.
- The accounting officer or his/her delegate to sign the asset list prior to the transfer
- The accounting officer or his/her delegate must within 14 days file a copy of the asset list with the relevant treasury and the office of the auditor general.
- The transfer of assets into the department will be recorded at the value at which they were carried in the books of the transferring department.

10.6.6.3 Transfer of assets from the Department to other departments and institutions

Asset transferred from the Department to other departments or institutions will be dealt with in the following manner.

- The accounting officer or his/her delegate will draw up an asset list of assets to be transferred.
- Provide the accounting officer for the receiving department or other institution with substantiating records
- The accounting officer or his/her delegate to sign the asset list prior to the transfer
- The transfer of asset from the Department will be transferred at the value contained in the Departments accounts

10.6.7 Safeguarding of assets

The Responsibility Manager has to ensure that all assets allocated to him or her and his or her directorate are safe and used for relevant departmental purposes only.

10.6.8 Physical Verification of assets

Treasury Regulations stipulate that a physical verification of all assets must be performed at least annually. The Department will perform bi-annual asset counts. One count to occur at financial year end. The other count may be performed at any time during the year, determined at the discretion of Asset Management.

The asset management unit at Head Office will be responsible for coordinating the Departments asset counts.

The asset management units in service centres will be responsible for conducting the asset counts in the service centres, districts, circuits, education centres, teachers centres and resource centres.

10.6.9 Asset Disposal

The disposal committee (as set up per SCM regulations) will make recommendations to the accounting officer regarding the disposal of assets. The assets will be disposed off in the manner determined in the departmental asset disposal policy.

10.6.10 Accounting and Reporting

The Asset Register will be reconciled every month with the Financial Reports obtainable from the Financial System by Asset management. The monthly reconciliation between the two systems will be checked by the Asset Manager and reported to Chief Financial Officer each month.

At the end of each financial year, the expenditure reports for Payments for capital assets and Equipment < R 5000 will be drawn for the entire financial year, the corresponding report will be drawn from the Asset Register, the Asset Manager will reconcile the two reports for the entire financial year. This reconciliation will be forwarded to the Chief Financial Officer for final approval.

10.6.11 Depreciation

The recognition of depreciation charges is necessary for the valuation of assets and costing of services, and is also used for resource allocation and asset performance assessment. The Straight Line Depreciation method will be used where the cost of the asset is recognised in "equal installments" over its expected useful life.

Assets will be depreciated according to their asset types. Refer to Annexure B for the depreciation rates and corresponding useful life in years.

Depreciation will be effected in the Asset Register.

10.6.12 Disclosure of Assets in Financial Statements

It is the Asset Managers responsibility to report on the value of the assets. Due to the department using the modified cash basis of accounting, the assets will be disclosed in the Notes to the Annual Financial Statements and not recognised on the face of the balance sheet.

The note should contain the following information:

- Opening balance (being last years closing balance)
- Additions for year
- Disposals/transfers for year
- Closing balance

The note above will contain details of capital (major) assets only and not minor assets (assets less than R5 000).

The distinction between major and minor assets became effective on 1 April 2004. All assets purchased prior to this date, be it major or minor will be treated as a major asset.

10.6.13 Disclosure of Depreciation in Financial Statements

Due to the department using the modified cash basis of accounting, depreciation is not recognised in the annual financial statements.

11. ITEMS ON EXCLUSION LIST

Certain items are not captured on the asset register, when it is considered that the amounts are immaterial and the cost of gathering the data exceeds the benefit. In addition confusion arises as to when an item an asset. For example, a stapler is not an asset as it is unlikely to benefit you for more than one year. It is possible that you may have the benefit of more than a year but it is unlikely. It is for this reason that an exclusion list has been prepared to confirm items not to be captured on the asset register. Refer to annexure B for a list of items that are not captured on the asset register system.

12. LEASED ASSETS

The acquisition of leased assets is approved by Asset Management and processed by Acquisition and Logistics. Asset Management will keep a register of all Lease Agreements. The need for and operational capacity of these assets will be assessed annually by the Responsibility Managers. The Responsibility Manager will also keep copies of Lease Agreements in

respect of all leased assets allocated to him or her.

The register containing details of all operating leases will be maintained on the asset register or any similar system.

Finance leases agreements may not be entered into by the Department unless specifically authorised by the Accounting Officer. National Treasury Practice Note 5 of 2006/2007 does make exceptions to entering into finance lease agreements but only under specific circumstances.

13. MANAGEMENT OF ASSET LOSSES AND DAMAGES

Losses and or damages to the departmental assets will be dealt with in the manner prescribed in the thefts and losses policy.

Asset management will update the asset register in respect to the loss or damage of an asset.

14. DOCUMENTATION

The implementation of the Asset Register requires the use of a number of standard documents. These documents include:

1. Fixed Asset Forms for Additions, Transfer and Disposals
2. Loss and theft register
3. Handing over certificate
4. Donations register
5. Asset count and compliance certificate
6. Asset count schedule
7. Asset list register
8. Asset exclusion list
9. E72 form Asset requisition form

These documents contain the minimum information required to control assets of the department. All records must be checked regularly by the Asset Manager. They must be filed and kept in a secured environment. Records will be disposed as per departmental policy on document retention.

15. MINIMUM INFORMATION TO BE CONTAINED ON ASSET REGISTER

The below mentioned fields are considered as minimum information that must be completed on the asset register:

- Date
- Supplier

- Supplier invoice no
- Payment number (as per BAS)
- Purchase price
- Description
- Serial no (if applicable)
- unique asset no. in the form of a barcode
- Location
- Condition
- Disposals
- Selling price

16. TREATMENT OF DONATED ASSETS

Assets that are donated, given or bequeathed to the Department are deemed to be controlled by the Department provided there are no restrictions on control over these assets.

Due to the current modified cash basis of accounting, donated assets are reflected as a note in the annual financial statements as no payment has occurred.

These assets should be entered into the asset register. The donations register referred to above under documentation serves as the source of entering information on the asset register.

The assets shall be recorded at market value.

17. TREATMENT OF LIBRARY BOOKS

The Department has mobile libraries which serves schools without library facilities. This is not to be confused with school libraries housed at schools.

It is considered that these library books do meet the definition of an asset. Further these books are controlled by a library controlled system either manually or electronic to control the movement of library books. Therefore the library books contained in mobile libraries will not be barcoded nor entered into the asset register. Reliance will be placed on the library control system which will act as a secondary asset register.

18. PUBLIC PRIVATE PARTNERSHIPS

The assistance of Provincial Treasury should be sought in respect of

recognition of any assets in terms of Public Private Partnership initiatives.

19. TREATMENT OF ASSETS PURCHASED FOR ABET PROGRAMME

The Adult Basic Education Training (ABET) initiative involves assets such as desks and chairs being purchased which are typically located at schools for the use of the adults in the community to obtain basic education. The assets are initially the departments' assets as opposed to the school assets.

For practical purposes, however it is envisaged that these assets should become the schools assets.

Accordingly assets such as desks, chairs and cabinets purchased in terms of the ABET programme would become the property of the school.

For accounting purposes, the department would initially record the assets in its assets register and thereafter transfer the assets to the schools

20. TREATMENT OF SCHOOL ASSETS

In terms of S37 (5) of the South African Schools Act of 1996, all assets acquired by a public school are the property of the school.

Whilst the department might procure assets on behalf of S20 schools, these assets are the responsibility of the school. The department will determine a format on which the school will report on its asset register.

From an accounting perspective, these assets will be shown as a transfer in the fixed asset note to the financial statements.

From an asset management perspective, these school assets will not form part of the responsibility of the asset management section.

21. TREATMENT OF ASSETS PURCHASED IN TERMS OF ECD

The early childhood development (ECD) programme seeks to make timely interventions in a learners life to ensure learners succeed. This programme may contain assets being purchased and located at the school.

For practical purposes, it is envisaged that these assets should become the schools assets.

Accordingly assets such as desks, chairs and cabinets purchased in terms of the ECD programme would become the property of the school.

For accounting purposes, the department would initially record the assets in its assets register and thereafter transfer the assets to the schools

22. IMPLEMENTATION DATE

Approved/~~not approved~~

Date: 18/06/2008

Superintendent-General: 