

**PROVINSIALE TESOURIE • PROVINCIAL TREASURY •
UNONDYEBO WEPHONDO**



Verwysing
Reference
Isalathiso PT 14/9/3/2

Navrae
Enquiries
Imibuzo Z Bobani

TREASURY CIRCULAR 36/2007

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MS V PETERSEN) (ACTING)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR RB SWARTZ)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KG HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA) (ACTING)
THE ACCOUNTING OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MS S MAJJET)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T TOLMAY)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR T MANYATHI)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS J JOHNSTON) (ACTING)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR MN LINDIE)

THE ASSET MANAGER: PROVINCIAL TREASURY (MR A. SEALE)
THE ASSET MANAGER: AGRICULTURE (MS M van BREDA)
THE ASSET MANAGER: COMMUNITY SAFETY (MS L. la GRANGE) (ACTING)
THE ASSET MANAGER: CULTURAL AFFAIRS (MS N PARKER)
THE ASSET MANAGER: PREMIER (MS A STASSEN)
THE ASSET MANAGER: ECONOMIC DEVELOPMENT & TOURISM (MR A AFRICA)
THE ASSET MANAGER: EDUCATION (MR RL AFRICA)
THE ASSET MANAGER: ENVIRONMENTAL AFFAIRS & DEVELOPMENT (VACANT)
THE ASSET MANAGER: HEALTH (MR I SMITH)
THE ASSET MANAGER: LOCAL GOVERNMENT & HOUSING (MS L NEL)
THE ASSET MANAGER: SOCIAL SERVICES (MS Z MKUBUKELI)
THE ASSET MANAGER: TRANSPORT & PUBLIC WORKS (MS C MENTOOR)

MOVABLE ASSET MANAGEMENT

1. Introduction

- 1.1 In order to provide guidance for the implementation and conducting of stocktaking within the Western Cape Provincial Government in accordance with the PFMA (Act 1 of 1999, Chapter 3, section 18).
- 1.2 Section 38(1)(d) of the PFMA, 1999, states that the Accounting Officer is responsible is responsible for the management, including the safeguarding and maintenance of all the assets of the department. Stocktaking takes place to ensure that proper control over all the assets exists.
- 1.3 According to Provincial Treasury Instructions, Chapter 16A3 (issued on 13 October 2005), it is stated at paragraph 16A3.3(g) that "a stocktaking/asset verification of all assets in stock or on distribution is conducted at least once a year and differences are accounted for." It is also advised that departments undertake this count as close

as possible to year-end to ensure as true a reflection as possible when asset reconciliation is done.

2. Purpose

- 2.1 The attached copy of a guideline on stocktaking is forwarded to your department for scrutiny and comment.
- 2.2 The comments on the document must not reach this office later than the 24th October 2007.



Acting Head: Supply Chain Management

Date: 10/10/2007

GUIDELINES FOR ANNUAL DEPARTMENTAL ASSET STOCKTAKING

1. PURPOSE

To provide guidance for the implementation and conducting of stocktaking within the Western Cape Provincial Government in accordance with the PFMA (Act 1 of 1999, Chapter 3, section 18).

2. LEGAL FRAMEWORK

- 2.1 Section 38(1)(d) of the PFMA, 1999, states that the Accounting Officer is responsible for the management, including the safeguarding and maintenance of all the assets of the department. Stocktaking takes place to ensure that proper control over all the assets exists.
- 2.2 According to Provincial Treasury Instructions, Chapter 16A3 (issued on 13 October 2005), it is stated at paragraph 16A3.3(g) that “a stocktaking/asset verification of all assets in stock or on distribution is conducted at least once a year and differences are accounted for.” It is also advised that departments undertake this count as close as possible to year-end to ensure as true a reflection as possible when asset reconciliation is done.

3. STOCKTAKING PROCESS

- 3.1 In order to achieve effectiveness in stocktaking, it is necessary that stocktaking must be undertaken in a logical and systemic manner. The following phases of stocktaking must be undertaken:
- a Preparation;
 - b Execution or performance;
 - c Investigation; and

- d Reporting

4. PREPARATION OF STOCKTAKING

4.1 Stocktaking program

- 4.1.1 All assets must be subjected to a complete stocktaking exercise on an annual basis, unless an application for exemption has been submitted to and approved by the Provincial Treasury before the close of the financial year. Spot checks must also be done on a quarterly basis.
- 4.1.2 The Head: Supply Chain Management of a department must compile a stocktaking program and forward it to the Head of the Department for approval before the beginning of each financial year.
- 4.1.3 The stocktaking program must include the following:
 - a Name of the team-leader and the officials involved in performing the stock-take;
 - b Periods when the stock take will be undertaken;
- 4.1.4 A stocktaking program may make provision for **continuous** or **progressive** stocktaking:
 - a Continuous stocktaking** refers to those cases where stocktaking can be conducted uninterrupted within a reasonable period.
 - b Progressive stocktaking** refers to those cases where stocktaking is undertaken in phases during the financial year, due to the fact that the institution is of such a size that a stocktake cannot be carried out on a continuous basis within a reasonable period.
- 4.1.5 As far as possible, assets in the same building or same section or floor, should be checked on the same day.

4.1.6 The annual stocktaking program must be available for audit purposes and can only be changed with the approval of the Head: Supply Chain Management of a department.

5. IDENTIFICATION AND APPOINTMENT OF STOCKTAKING TEAMS

- 5.1 The Accounting Officer must appoint, in writing, the leader of the stocktaking team, his/her secundi and one or more competent officials to perform the asset count and the recording thereof.
- 5.2 In the event that the stocktaking team has to split during stocktaking in an institution due to practical reasons, the team-leader and his/her secundi must lead the separate teams.
- 5.3 Stocktaking teams must be trained and ensure that they are acquainted with the stocktaking procedures. They must also ensure that all instructions in respect of stocktaking are complied with.
- 5.4 The team leader must ensure that the approved stocktaking programmes are brought to the attention of all relevant parties.
- 5.5 The leader of the stocktaking team must obtain confirmation, from the inventory controllers, that all the receipt and issue transactions have been correctly posted and that the balances of the assets are reflected on the relevant reports and that the asset register is updated. This must take place before commencing with the physical stock take.

6. ROLE PLAYERS IN STOCKTAKING

6.1 Accounting Officer:

Receive the stocktaking program from the Head of Supply Chain Management and approve the programme.

6.2 Head of SCM:

Receive the stocktaking program from the Accounting Officer and ensure that the physical stocktaking takes place.

6.3 Asset Manager:

- 6.3.1 Verifies, controls and finalizes control reports and ensures that they reach the relevant asset controllers.
- 6.3.2 Ensures that a complete stocktake is conducted.
- 6.3.3 Ensures full acquaintance with the stocktaking procedures and that all instructions in respect of stocktaking are complied with.
- 6.3.4 Ensures that all members of stocktaking teams are appointed in writing and are familiar with regulations concerning the stocktaking.
- 6.3.5 On receipt of the final stock taking reports, from the asset controllers, the asset manager has the following responsibilities:
 - a Evaluate the stocktaking report to determine whether proper control is being exercised over the assets at the relevant offices.
 - b In the case of unacceptable discrepancies or where irregularities are suspected, a board of inquiry must be instituted.
 - c Identify preventative measures in respect of recurrent discrepancies that have been noted.

6.4 Asset Controllers:

- 6.4.1 The Asset Controllers must ensure that all the assets accounted for on the asset records are available for stocktaking purposes.
- 6.4.2 All locked rooms, cabinets, drawers; toolboxes, etc. have been unlocked and subjected to asset count.
- 6.4.3 In cases where the key to such storage place cannot be provided, such a storage place should be unlocked with the help of a locksmith to the account of the person responsible for such a place.
- 6.4.4 They are responsible for the quarterly stocktaking on assets and submission of the quarterly verification report. The asset management unit may assist them in this regard.
- 6.4.5 The Asset Controllers must assist the logistical section in respect of:

- a. Permanent movement of assets between sections;
- b. Any items that were sent for repairs;
- c. Ensure that assets temporarily used elsewhere are brought to a central point for stocktaking purposes;
- d. Maintenance of proper record keeping of all asset movements.

6.5 Logistical management section must:

- 6.5.1 ensure that all the discrepancies are accounted for on the relevant documents of the previous stocktaking.
- 6.5.2 ensure that all accounting transactions are completed correctly and that all assets are accounted for.
- 6.5.3 ensure that all items, which are up for disposal, are removed from the asset records and the asset register before the actual disposal takes place.
- 6.5.4 compile a list of all assets that are not available for verification, (e.g. items on loan).
- 6.5.5 Ensure that stocktaking teams are issued with the relevant stocktaking schedules to enable them to effectively undertake the stock take.

6.6 The Team Leader:

The leader should report on the following:

- a. Discrepancies in quantity and value;
- b. Particulars on possible redundant, obsolete or unserviceable goods;
- c. Justification for the quantity and condition of the assets;
- d. The possibility that discrepancies may have been caused by default, negligence or misuse by any person(s).
- e. The possible disposal of goods;
- f. The possible destruction of state property with no sale value;
- g. The general condition of assets;
- h. That all serial numbers of assets have been checked and that any discrepancies have been recorded.

7. EXECUTION OR CONDUCTING

7.1 Face value forms

- 7.1.1 All face value forms must be verified on a monthly basis.

- 7.1.2 The register on "control over face value" must be completed each month. The balance at the end of the previous month must be reconciled with the starting balance of the present month.

7.2 Quarterly spot checks of assets

- 7.2.1 All assets must be submitted to a spot check on a quarterly basis.

- 7.2.2 The asset controller is responsible for the quarterly spot check on the assets. He/she must indicate the quantity and type of assets that will be checked.

- 7.2.3 The same items cannot be checked each quarter.

7.3 Yearly stock take

- 7.3.1 On the date and time, indicated on the stock take program, the team must investigate all asset records and warehouses. Officials, travelling during work hours, must ensure that their assets are made available for inspection on the date and time indicated on the stocktaking program, (e.g. Laptops, etc.)

- 7.3.2 Personnel in direct control of assets may not carry out stocktaking of his/her section but may assist to identify or locate items.

- 7.3.3 Stocktaking team-members must count the physical assets and write the balances on the stock count sheet of the asset record.

- 7.3.4 A performance and condition assessment of each asset must be completed to assess if the assets still comply with standard requirements.

- 7.3.5 All assets that are unutilised, unserviceable, repairable, obsolete or redundant must be identified.

- 7.3.6 All discrepancies must be indicated on the relevant documents.

- 7.3.7 The Asset Controllers must sign for all the findings that were made on the investigation.

7.3.8 After the stock take the Team Leader must issue a certificate to the Head: Supply Chain Management.

7.4 Performance and condition assessments

7.4.1 Assets need to be maintained to ensure that they continue to function as effectively and efficiently as possible in supporting the delivery of the relevant services.

7.4.2 A maintenance plan must exist in the department with regard to the service delivery plans, the age, condition, value, deferred maintenance and functional quality of the assets, as well as new assets and any emerging issues, which may impact on their service potential.

7.4.3 Maintenance standards and performance indicators must be implemented with regard to physical condition, functional quality and operational maintenance. These standards will vary according to the assets' importance in achieving the department's objectives.

7.4.4 Departments must determine specific intervals for particular types of assets and the level of inspection detail appropriate to each asset, but must meet the minimum requirement.

7.4.5 During stocktaking the following assessments need to be done:

- a. The assets life cycle needs due consideration. Where the assets are reaching the end of their economic life, the condition and maintenance standards need to be updated appropriately to ensure that the standards are not set too high and are not causing assets to be over maintained and will still meet the required service delivery agreement.
- b. The actual utilization of the asset must be assessed;
- c. Upon failure, assets will be assessed against asset standards and for risk.

7.5 INVESTIGATION OF AND DEALING WITH DISCREPANCIES

7.5.1 The Asset Manager, in cooperation with the logistical management unit, must ensure that all shortages and/or surpluses are not the result of receipts and issues that have not been posted, miscalculations or other errors.

- 7.5.2 If any discrepancies are found the transaction history must be investigated. If it is found that receipt or issues were captured or calculated incorrectly, transactions must be rectified by means of the relevant procedures.
- 7.5.3 After the total stocktaking the Asset Manager must work off any surpluses against shortages. Surpluses/shortages from one section can be worked off against surpluses/ shortages from another section on condition that both these sections reside in one department.
- 7.5.4 Any surpluses/ shortages left over must be investigated. These discrepancies must be transferred to the suspense account for investigation.
- 7.5.5 Under no circumstances may officials be allowed to compensate for shortages by replacing the item privately. This is to prevent assets replaced by inferior assets.
- 7.5.6 All surpluses and shortages must be recorded individually on forms provided for that purpose.
- 7.5.7 In the case of major discrepancies or where irregularities are suspected, a Board of Inquiry, instituted by the Head of the Department or his/her delegated official, may convene to investigate such discrepancies or irregularities.

8. REPORTING

- 8.1 After completion of the stocktaking exercise, the team leader must compile a certificate and submit it to the Head of Supply Chain Management. The contents of this certificate must be the same as the contents of the final stocktaking report.
- 8.2 The certificate and final stock take report must certify the following information:
- a. All surpluses, shortages, obsolete, redundant, damaged and unserviceable items found.
 - b. All huge quantities found with regard to already issued stock.
 - c. Whether the quantity and the condition of the asset is considered as reasonable, taking into consideration the activities of the relevant office or section.
 - d. Whether negligent action is suspected on or contributed to the fact that redundant, unserviceable or obsolete assets remained in stock.

- e. Whether the deficiencies that still exist after being reconciled have been accounted for.
- f. Whether the discrepancies are being investigated as prescribed.
- g. Manually updated asset records

8.3 A final consolidated stock take report must be submitted to the Head of the Department depending on the dates specified by the department, but before the closing of the financial year.

8.4 The following documents must be attached to the final stock take report:

- a. A certificate from the Head of the Supply Chain Management unit, indicating that all receipts and issue transactions have been correctly posted and that the balances reflect on the asset record.
- b. Copies of the written appointment of the stocktaking team members.
- c. A list of surpluses and shortages. This copy is for information purposes and not used to update records.
- d. This report must also be forwarded to the Provincial Treasury

9. CONTACT PERSON

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Ms. N. Ebrahin

Acting Head: Supply Chain Management

APPOINTMENT LETTER AND DUTY SHEET OF STOCKTAKING TEAM LEADER

FROM: _____

TO : Chairperson of stocktaking team leader
Department/Region/Office
Mr/Mrs/Ms

STOCKTAKING: FINANCIAL YEAR: _____

1. You are hereby appointed as leader of the stocktaking team responsible for _____ (Department/region/office) during _____ (Period).
2. Please make arrangements to appoint a minimum of two more members for the team. An official who is physically and directly in control of the asset or livestock may not serve on the board as a member.
3. You are allowed to, at any time, co-opt an additional member to the team who has sound knowledge of assets or livestock.
4. Arrangements are to be made for the stocktaking exercise and recommendation meetings and the Head: Supply Chain Management must be informed.
5. You are responsible for the actual stocktaking of all the assets within the Department/region/office.
6. Thank you for accepting the responsibilities as leader of the stocktaking team.
7. Best wishes accompany you for this important task.

HEAD: SUPPLY CHAIN MANAGEMENT

DATE: _____

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KAAPSTAD 8000
Telefoon (021) 483-Number
Faks (021) 483-Number

PRIVATE BAG X9165
CAPE TOWN 8000
Telephone (021) 483-Number
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