

A 99 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MPAC OVERSIGHT REPORT
MUNICIPAL ASSETS WRITE-OFF.

(C 2018 11 02)

(12/23/1/1)

RESOLVED

LEASED ASSETS

- a) That the leased assets with a Net book value of (NBV R 2 495 467.35) be written-off from the municipal assets register because the assets are no longer within the municipal premises.
- b) That the leased assets be written-off because the municipal has terminated the contract with the service provider

OTHER ASSETS

- a) That other assets with a Net book value of (NBV R 1 284 352.01) be written off from the municipal assets register, due to their life span, net book value, and that others are duplicates to infrastructure while other could not be verified.
- b) That internal controls for transfer of assets be utilised to track the movement of assets.
- c) That all officials be contagious about internal controls for effective assets management.
- d) That Security measures be strengthened in all municipal premises to prevent theft of assets.

INFRASTRUCTURE ASSETS

- (a) That council approved the assets write-offs as per the net book values as follows:

- Write offs (1) Infrastructure NBV R 8 017 211.42

- (b) That council approved the assets write offs as per the net book value as follows: R 15 714 150, 35. Because the assets could not be verified.

- (c) That the use of internal controls be strengthened to track the movement of assets.

- (d) That a dedicated person be appointed to record the daily movement of assets.

- (e) That Security measures be strengthened in all municipal premises to prevent theft of assets.

- (f) That the disposal of written –off assets be undertaken in term section 14 of the MFMA

- (g) That the revival of municipal assets management policy must provide delegation to the accounting officer in terms of MFMA Section 14 (4)

Further recommendations

The Management submitted the assets write off report to Council for approval with corrective measures to address challenges on assets as per Council resolution number A68 and A82. Council should note that meeting with management took place on the 17th October 2018 to confirm the corrective measures with new time frames.

- (a) That council approves the following management's corrective measures as council resolution,

Corrective measures currently being undertaken by management

1. Management is currently reviewing policy and standard internal control operating procedures for infrastructure maintenance and replacement of infrastructure assets and authority over such processes by January 2019.
2. Management has a list of on damaged electrical transformers assets which are under repairs or not in condition. These assets are verifiable (refer to Annexure B)
3. Any reported infrastructure theft cases will be investigated by the accounting officer as required by the MFMA
4. A follow up investigative report shall be submitted to Council on the impaired/damaged electrical assets and any other category of assets which are no longer on the network by **January 2019**.

**Signed by the Speaker
Councillor DJ Mmetle**.....



**A 99 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MPAC OVERSIGHT REPORT
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(C 2018 11 02)

(12/2/3/1/1)

REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE CHAIRPERSON:
COUNCILOR DG MKHABELA.

PURPOSE OF THE REPORT

The purpose of the report is to table before Council the Municipal Public Accounts committee's oversight report on the municipal assets write-off.

Background

1. The council has referred the municipal assets write-off register to the municipal public account committee for investigation as per council resolution A68 EC 2018 07 24; C 2018 07 31 and council resolution A82, (EC 2018 08 21; C 2018 08 30).

(a) The investigations covers the write-offs assets as approved by council with the net book values as follows:

- Write offs (1) Infrastructure	NBV R 8 017 211.42
(2)Leased assets	NBV R 2 495 467.35
(3)Other assets	NBV R 1 284 352.01

2. And the assets write offs of infrastructure assets with a net book value as follows:
R 15 714 150, 35.

3. That council takes note that this write off is also addressing the AG findings from the two previous financial years.

4.

FINDINGS BY THE COMMITTEE

LEASED ASSETS

The council has approved the assets write- offs for leased assets with a net book values of (NBV R 2 495 467.35).

Greater Tzaneen Municipality was in a contract with phinnet communication for supply and delivery and managed printing services with effect from 01 August 2016 - 31 August 2019. The municipality has terminated the contract with the service provider on the 24 October 2017. As a result of termination of contract, the service provider has left with the leased Photocopier/Printer/Scanner machines. Proper processes and recording of assets was done with service provider and user department and assets management office.

In this case the municipality will not be able to account for the assets which are no longer in the municipal building, and the contract with the service provider is terminated. The resolution to write –off the leased assets in the municipal assets register is recommended.

OTHER ASSETS

The council has approved the assets write offs for other assets with the net book values as follows: NBV R 1 284 352.01.

TRAFFIC LIGHTS

The register for other assets covers assets such as office furniture, Traffic Lights, printers, equipment's and tools.

The Department recommend the write-offs for traffic light of the NBV of R905 652, 57 due to duplicates. Traffic light are recorded under infrastructure and are also duplicated in Transport, Safety, and Security & Liaison. Traffic light are operated and maintained by electrical department and therefore the resolution to write- off traffic light from Transport, Safety, Security & Liaison division will be addressing the challenge of duplicates.

POLYCOM OFFICE TELEPHONE

During municipal assets verification the following polycom office telephones of NBV of R6, 044.4 could not be verified and write-offs was recommended. During the investigation by the committee, arrangements were made with the manager for Information Technology, and the telephones were verified and they are still available in the IT Storeroom

Finding by the committee

- Polycom office telephones are old municipal office telephones which are replaced with the new yealink telephones.
- Assets Transfer forms were not completed to move the assets to the storeroom

Recommendation

The Polycom office telephone are no longer in use and are locked in the Storeroom and therefore the resolution to write-off is recommended.

Assets	DESCRIPTION	Serial	NBV
15804	Polycom Office phone	0004F2601588	1 208,88
15801	Polycom Office phone	0004F2601880	1 208,88
15803	Polycom Office phone	0004F2601656	1 208,88
15802	Polycom Office phone	0004F260B133	1 208,88
15779	Polycom Office phone	0004F260AF93	1 208,88

OTHER ASSETS WHICH WERE VERIFIED BY THE COMMITTEE

Assets were recommended for write-offs because of their NBV, Duplicates and that other assets they could not be verified during the municipal verification process. Arrangement was made and the following assets were verified which are defined in details in the assets register.

Assets	DESCRIPTION	NBV 2017/18	Findings
04101	Turner Morris Welding Machine	1,33	1. It is report that during the verification the machine was either in another working station.

			<ul style="list-style-type: none"> - The welding machine is old and is still working. - The machine does not have a municipal barcode and it was not verified based on its assets number. - 05/10/2018
07546	Honda Gc160 Water Pump	2,09	<p>1. It is report that during the verification the machine was either in another working station.</p> <ul style="list-style-type: none"> - The Water Pump is old and is still working. - The Pump is mounted on the water tractor. - The Pump does not have a municipal barcode and it was not verified based on its assets number. - 05/10/2018
09330	Motorola Two-Way Radio Battery Charger	57,99	<ul style="list-style-type: none"> - The assets were verified are available at Parks offices. - Assets are no longer in use
10421	Generic Water Pump	480,00	<p>1. Assets were recommended for write-off due to duplicates to infrastructure.</p>

			<p>2. Assets were also verified and available.</p> <p>3. Resolution to write them on this register will address the challenges of duplications.</p> <p>- 05/10/2018</p>
10423	Generic Water Pump	647,28	<p>1. Assets were recommended for write-off due to duplicates to infrastructure.</p> <p>2. Assets were also verified and available.</p> <p>3. Resolution to write them on this register will address the challenges of duplications.</p> <p>- 05/10/2018</p>
09175	Metal 12 Drawer Card Filing Cabinet	228,70	<p>The assets could not be verified during the municipal assets verification.</p> <p>The asset belong to traffic department as per the register During the investigation the asset was found finance office.</p> <p>Both offices confirms that the asset belong to the traffic department however the asset was left in the finance of while exchanging offices.</p> <p>During the investigation the asset was verified and how ever the assets number does not correspond</p>

			Asset transfer was not done
14589	C213 Ac Motor	-	
10375	Vem Motor	37,92	- The machine is old and not in use
10420	Vem Motor	37,92	- The machine is old and not in use
10422	Vem Motor	37,92	- The machine is old and not in use
08614	W. Jones Pictures & Paintings	51,64	1 During verification the painting was not verified. - Arrangement were made and the picture was verified and is available and is still in good condition and attractive. 17/10/2018

OTHER ASSETS- TOOLS IN THE ELECTRICAL DEPARTMENT

During the municipal assets verification the following tools couldn't be verified with combine estimated NBV of R15042, 26. During investigation with the user department, the supervisors confirms the availability of the assets and however assets were not verified.

- Supervisors reported that this are tools which they use in their day to day operations
- Tools are available in the municipal bakkies/trucks, and bakkie were already out to the different working area.
- It will also be difficult to verify the assets since most of tools do not have barcode/ assets number is not attached.

- Some of the tools are no longer in good condition

Findings by the committee

- There is no proper daily recordings/ register to track the movement of assets.
- All assets are registered under one person.

Based on the NBV of the assets the decision to write-off the assets is recommended.

- It will cost the council more money to repair / fix these assets since some of the assets are no longer in use and some have exceeded their life span.
- Some of assets are affected by the evolving technology

Assets no	Description	NBV
02649	Motorola Gp300 Two-Way Radio	-
03140	23 Steps Metal Ladder	-
12806	Generic Metal 2 Leads Case Tool Box	-
12991	Kde 6700Te Diesel Generator	-
14554	Hastings Link Stick	300,46
15529	Icom Ic-F5022 Two Way Radio	198,43
15530	Hastings Link Stick	449,13
15535	Icom Ic-F022 Two Way Radio	106,67
15552	Motorola Cm300 Two Way Radio	134,98
15556	Fibre Generic Link Stick	300,46
15557	Metal Bolt Cutter	422,97
15560	Supper Mechanic Crimping Tool	79,83
15569	Hastings Link Stick	892,11
15618	Hastings Link Sticks	-
15622	Hastings Link Stick	-

15628	Generic Link Stick	257,50
15639	Generic Link Stick	-
15640	Generic Link Stick	-
OA 2610	B/O Cable Cutter Rcc 325 Ph	325,94
OA 2611	B/O Cable Cutter Rcc 325 Ph	325,94
OA 2612	B/O Cable Cutter Rcc 325 Ph	325,94
OA 2613	B/O Cable Cutter Rcc 325 Ph	325,94
OA 2621	Inverter With Test Equipments	2 207,56
OA 2651	Rotary Hammer Hr2470 Makita7	402,28
Tools 2506	Ht 101 Pole Prunner 4-Mix	2 082,11
Tools 2507	Ht 101 Pole Prunner 4-Mix	2 082,11
Tools 2614	Boltin 5D 10Kv Insulation Tester	1 502,02
Tools 2638	Ratchet Lever Hoist 3/4 Ton	216,27
07008	Motorola Cp040 Two-Way Radio	-
13872	Clamp Tester	80,96
14551	Top Tronic Tin5D Ht Tester	459,79
14555	Mts Chain Block	0,29
15656	Metal Green Cross First Aid Box	0,19
TES001	Tester Insulation Digital	390,60
TES002	Tester Insulation Digital	390,60
TES003	Tester Insulation Digital	390,60
TES004	Tester Insulation Digital	390,60

05925	5Step Metal Ladder	-
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OTHER ASSETS- STILL NEED TO BE VERIFIED

It is worth to continue further investigation on the availability of the following other assets due to their net book value in terms of the assets register. Some of the assets such as the digital recording system might contain value information to the institution. And while others assets such as the Smoke Detection System are installed for safety purpose. Replacement of such assets must be prioritised if not found on their location.

OA 2766	Digital Recording System	Financial Services	7 116,35
S9319001356	Spc430Dn Ricoh Colour Laser Printer	Financial Services	364,61
X0072	Floodlights	Municipal Manager	11 193,65
X0279	Smoke Detection System	Engineering Services	309 992,10
Z0579	Quality Management	Electrical Engineering	4 327,88
			R332 994,59

INFRASTRUCTURE ASSETS

- (a) The council approved the assets write offs with the net book values as follows:
Write offs (1) Infrastructure NBV R 8 017 211.42
- (b) The council approved the infrastructure assets write offs with the net book value as follows: R 15 714 150, 35.
- (c) During the municipal assets verification the assets could not be verified and therefore a decision for write-offs was recommended.
- (d) During investigation by the committee the assets could not be verified

Findings by the committee

- The municipality does have internal controls to track the movement of assets and however the control are not been used.
- There is no proper daily recordings/ register to track the movement of assets.

- There is no dedicated official to track the movement of assets.
- Transformers which are recommended for repairs, are not all recorded when they are brought back.
- Some of transformers which are send for repair are not returned back with their old municipal barcode and old serial number which makes it difficult to recognise the assets which might lead to a situation where the transformer is giving a new assets number.
- The service provider does not return back to the municipality transformer which could not be repaired

Further Investigations must be conducted before the report can be submitted to council;

- To clarify as to whether cases were reported for the missing infrastructure assets.
- To clarify if the assets were insured with the municipal insurance as well as its recoveries

RECOMMENDATIONS

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FOR CONSIDERATION