



**WALTER SISULU UNIVERSITY**

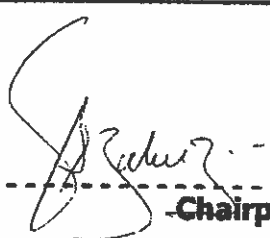
**FIXED ASSESTS**

**POLICY**

**Policy Library ID**  
**FIN: 05**



**FIXED ASSETS POLICY**

<b>Sponsor Division</b>	Finance Division
<b>Responsible Department</b>	Chief Financial Officer
<b>Related WSU Policies</b>	
<b>Supply Chain Management Policy</b>	<b>Policy Name</b>
Contracts Policy	Fixed Assets Policy
Budget Policy	
ICT Policy	
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 ----- <b>Chairperson of Council: Mr T Zakuza</b>	

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## **Fixed Assets Policy**

### **1 Purpose**

The primary purpose of this policy is to ensure compliance with statutory requirements and the proper governance, control and the safeguarding of the University's fixed assets.

### **2 Introduction**

This policy deals with the financial and governance aspects of Property, Plant and Equipment ("PPE") that is managed and owned by the University.

This policy sets out the Walter Sisulu University ("University") Fixed Assets policy and related procedures, including measures to provide for the acquisition, ownership, custodianship, insurance and disposal of all fixed assets. These include items classified as Property, Plant and Equipment, both moveable and immovable, but does not include incorporeal assets. It provides information about, and guidance in respect of, the definitions of items of PPE, their classification and how fixed assets are to be recorded, controlled and accounted for in the University's records.

Excluded from this policy are specific arrangements with regard to the library, art and special collections. The University does not distinguish these kinds of assets in the accounting records but does keep a register of these.

### **3 Definitions**

<b>Term</b>	<b>Definition</b>
<b><i>Acquisition</i></b>	The purchase, construction and improvement of an asset.
<b><i>Asset</i></b>	Any tangible item that is controlled by the University as a result of a past transaction or event and from which future economic benefits are expected to flow to the University.
<b><i>Asset Verification</i></b>	The comparison of property, plant and equipment to the Asset Register.
<b><i>CFO</i></b>	Chief Financial Officer
<b><i>Control Sheet</i></b>	A list of assets recorded that are barcoded that is on the

Term	Definition
	back of all room doors.
<b><i>Depreciable Amount</i></b>	The cost of an asset, or other amount substituted for its cost, less its residual value.
<b><i>Depreciation</i></b>	The systematic allocation of the depreciable amount of an asset over its useful life net of residual value.
<b><i>Fair Value</i></b>	The price that would be received to sell an asset or paid to transfer a liability in an open market related transaction between participants in an open market at the measurement date.
<b><i>FAS</i></b>	Fixed Assets Section
<b><i>ICT</i></b>	Information and Communication Technology
<b><i>Impairment Loss</i></b>	The amount by which the carrying amount of an asset exceeds its recoverable amount.
<b><i>Intangible Assets</i></b>	Assets such as copyright and goodwill.
<b><i>Projects</i></b>	The special activities that are funded by external or third-stream sources of funding.
<b><i>Project Assets</i></b>	Assets that are acquired and utilised for a project.
<b><i>Property, Plant and Equipment ("PPE")</i></b>	Tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one accounting period.
<b><i>Revaluation</i></b>	A formal valuation of an asset undertaken by a competent valuer.
<b><i>Room Number</i></b>	Room number allocated by Facilities based on the location of the room
<b><i>Space Code</i></b>	WSU bar code number starting with an "R" or "S"

Term	Definition
<i>University</i>	Walter Sisulu University

#### **4 International Financial Reporting Standards**

The relevant IFRS are:

- IAS 16 Property, Plant and Equipment
- IAS 36 Impairment of Assets
- IAS 20 Accounting for Government Grants
- IFRS 16 Leases

#### **5 Related Policies**

##### **5.1 The following policies should be consulted in addition to this policy:**

5.1.1 Supply Chain Management Policy

#### **6 Financial Recognition of Assets**

##### **6.1 Recognition**

Fixed Assets should be recognized as assets when it is probable that, the future economic benefits associated with the asset will flow to the University, and the cost of the asset can be measured reliably.

##### **6.2 Characteristics of Fixed Assets:**

- 6.2.1 Must have an economic life of at least one (1) year.
- 6.2.2 Must be used for the supply of services and/or for administrative purposes and/or for the execution of projects.
- 6.2.3 The University must have control over the asset.
- 6.2.4 Should be subject to Depreciation as per section 16 of the policy.
- 6.2.5 Does not lose its identity if incorporated into different units.

##### **6.3 Assets recorded in the Fixed Assets Register ("FAR")**



6.3.1 All PPE with a minimum purchase value of R10 000 will be capitalised and recorded in the Fixed Assets Register.

#### **6.4 Assets that are expensed**

6.4.1 Assets with a life span shorter than a year are expensed in the year of acquisition.

6.4.2 Assets with a purchase value of less than R10 000 per item are regarded as minor assets and expensed in the year of acquisition.

6.4.3 These items will not be recorded in the FAR.

#### **6.5 Project Assets**

6.5.1 The recognition of project assets within the fixed asset register of the University is based on the analysis of the control and ownership of the assets.

#### **6.6 Cost Model**

6.6.1 Assets are recorded in the Financial Statements of the University at Cost less Accumulated Depreciation.

6.6.2 Included in the costs of fixed assets are:

*6.6.2.1 The purchase price, including import duties and non-refundable purchase taxes after deducting of any discounts and rebates.*

*6.6.2.2 Costs incurred to bring the asset to its location and condition necessary to be capable of operating in the manner intended.*

*6.6.2.3 Professional fees incurred during the construction of buildings such as for architects, quantity surveyors and project managers.*

*6.6.2.4 Net Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and must, therefore, be capitalised. Once the asset is complete and brought into use, any further borrowing costs may not be capitalised.*

*6.6.2.5 Value Added Tax (VAT).*

*6.6.2.6 The cost of extended warranties (where applicable)*

## **6.7 Impairment of Assets**

6.7.1 Refer IAS 36.

6.7.2 An asset is impaired when its carrying amount (cost less accumulated depreciation) exceeds its recoverable amount (realisable value less any costs of sale). In such cases, the carrying amount in the accounting records should be reduced to the recoverable amount.

6.7.3 Impairment reviews of all assets should be done annually under the supervision of Fixed Asset Section (FAS) and signed off by the CFO.

6.7.4 Indications of impairment include the following:

*6.7.4.1 Significant changes in market conditions affecting the asset in question;*

*6.7.4.2 Obsolescence or physical damage to the asset;*

*6.7.4.3 Where an insurance claim has been made on the asset; and*

*6.7.4.4 Where there are indications that the period of use of the asset will be reduced for whatever reason.*

## **7 Classification of Assets**

### **7.1 Land**

Land comprises all land registered in the name of the University.

### **7.2 Buildings**

Buildings consist of all buildings owned by the University including those of a temporary nature.

### **7.3 Infrastructure and Land Improvement Assets**

Included under this category would be sports facilities such as swimming pools and stadia.

### **7.4 Library Collections**

Library collections including library books, special collections, journals and other items held by the library are treated as expenses and are therefore not capitalised or recorded in the FAR. However, such are recorded in databases maintained by the library.

## **7.5 Special Collections (including works of art)**

Special collections such as works of art, scientific collections and permanent displays should be recorded on appropriate databases.

## **7.6 Plant and Equipment**

Plant and equipment include lifts, machinery, central air conditioning units that form part of buildings and specialised vehicles.

## **7.7 Research Equipment**

Research equipment is equipment that is used for research purposes.

## **7.8 Motor Vehicles**

Motorised or non-motorised equipment used for the transportation of people and goods.

## **8 Ownership of Assets**

Ownership of all assets covered by this Policy shall vest with the University unless owned by a third party but provided for the use of the University in terms of an agreement of lease or right of use.

## **9 Acquisition of Assets**

9.1.1 The Supply Chain Management Policy and Budget Policy shall regulate the acquisition of all property, plant and equipment.

9.1.2 The Director Management Reporting shall maintain proof of ownership or evidence of control of assets, such as title deeds, registration certificates (motor vehicles), building completion certificates, lease agreements, Information and Communication Technology agreements, and others (including project assets).

9.1.3 The Projects Office will be responsible for the procurement of assets for their projects. The recording of the assets will be the responsibility of the FAS where the asset is classified as Property, plant and equipment of the University.

## **10 Lease of Assets**

Leased assets need to be accounted for in terms of IFRS 16 (effective 1 January 2019) unless

they are of low value (such as cell phones, tablets and laptops) or the lease is of short duration (12 months or less).

### **11 Title deeds not in the name of the University**

A written mandate must be obtained from the Trust or the relevant owner of the Land prior to any construction or alteration to buildings even where such have been "promised" to the University subject to procedural matters receiving attention.

## **12 Leasehold Improvements**

### **12.1 Alterations and Improvements to Leased Property**

The following shall apply to the construction or alteration of facilities (buildings) where the land or facilities are not in the name of the University:

12.1.1 The lease agreement must include the right to, inter alia, the alteration/building/facility and must be agreed by both the University and the Landlord; and

12.1.2 Improvements should be capitalised and depreciated over the agreed term of the lease.

### **13 Maintenance / Capital Expenditure**

Care needs to be taken in determining whether an item is for maintenance or is a capital item with a value of R10 000 or more.

### **13.1 Maintenance**

Any work with the purpose of restoring an asset to its' functional condition is maintenance. Examples would include:

13.1.1 Painting a building.

13.1.2 Replacing carpets and/or other floor coverings.

13.1.3 Repairing equipment such as lifts.

13.1.4 Renovations of a minor nature which do not change the function of the asset or extend its useful life.

### **13.2 Capital Expenditure**

The following may sometimes appear to be similar to maintenance but should be classified as capital expenditure and capitalised:

13.2.1 Expenditure that extends the life of an asset rather than enables an asset to achieve its useful life. An example would be to replace the roof of a building rather than say some broken tiles. This would serve to extend the useful life of the building and so should be capitalised;

13.2.2 Replacing lifts with new lifts. Such new lifts should be capitalised; and

13.2.3 Renovations of whatever kind serve to change the function of the asset or extend its useful life. These too should be capitalised.

### **13.3 Professional Judgement**

Professional judgement needs to be exercised when deciding whether this kind of expenditure should be expensed or capitalised. When there is any doubt such matters should be referred to the CFO for a final decision.

## **14 Valuation of Land and Buildings**

Land and buildings are carried at the historic cost model for accounting purposes. The replacement cost method of valuation is to be used for insurance purposes. This will be determined by an independent valuer every five years.

## **15 Asset Verification**

A physical verification of all assets in the FAR must be conducted every three years as determined by the Fixed Assets Department. This may be conducted on a cyclical basis. The verification should be done by members of the Fixed Assets Section together with the department responsible for managing the assets.

## **16 Derecognition of Assets**

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment shall be included in the Income Statement when the item is derecognised. The gain or loss shall be determined as the difference between the net disposal proceeds and the carrying amount of the item at the time of its disposal.

The Vice Chancellor must ensure that the process for disposal provides the University with the best possible outcome in terms of amount to be received for the assets or in certain cases limits the cost to dispose of assets with no market value. The Vice Chancellor shall approve the disposal of assets provided the total cost of assets disposed of does not exceed R5m, Disposals in excess of R5m require approval by Council except in the case of Land and Buildings which requires approval by Council

## 17 Depreciation and Amortisation of Assets

All Property, Plant and Equipment, are recorded at cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset, over the estimated useful life as follows:

In all cases, depreciation is calculated on the following formula: (Cost – Estimated Residual Value) divided by the number of years over which the asset is to be depreciated (useful life). The FAS must perform a review of the residual values and the useful lives of assets at least once each financial year. Changes in the residual values and useful life estimates will be determined annually.

*Table 1 Useful Lives and Depreciation Rates*

	<b>Useful Life</b>	<b>Depreciation Rate</b>
<b><i>Land</i></b>	Indefinite	Nil
<b><i>Buildings (brick and mortar)</i></b>	50 years	2% per annum
<b><i>Air Conditioning Split Units</i></b>	5 years	20% per annum
<b><i>Lifts (elevators)</i></b>	10 years	10 % per annum
<b><i>Metal Roofs</i></b>	15 years	6.67% per annum
<b><i>Temporary structures such as park homes and prefabricated buildings</i></b>	10 years	10% per annum
<b><i>Equipment (including laboratory equipment.</i></b>	5 years	20% per annum
<b><i>Computer equipment</i></b>	3 - 5 years	33.3 to 20% per annum
<b><i>Furniture and fittings</i></b>	5 - 10 years	10% - 20 % per annum
<b><i>Motor Vehicles</i></b>	5 years	20 % per annum

### **17.1 Fully Depreciated Assets**

Fully depreciated assets that are still in use are retained on the Fixed Asset register at cost together with their accumulated depreciation.

### **17.2 Gains and Losses on Assets**

Gains and losses on disposal of Property, Plant and Equipment are determined by comparing the carrying values of the respective assets at the time of disposal to the proceeds of their disposal and are accounted for in the consolidated statement of comprehensive income.

### **17.3 Depreciation of Components**

Each part or component of an item of Property, Plant and Equipment with a cost that is significant (at least 20%) in relation to the total cost of the item shall be depreciated separately. Separate depreciation for components of items with significant costs and varying useful lives of moveable property, plant and equipment shall apply where the total cost of the respective items exceeds R10 000. Components with significant cost and varying useful lives will be assessed at the acquisition date of the relevant item of PPE.

## **18 Management of Fixed Assets**

### **18.1 The Fixed Assets Section (FAS)**

The FAS reports to the Director: Management Reporting. It is the responsibility of the FAS to develop relevant policies and procedures in order to exercise maximum control and management of the University's operational and project assets.

### **18.2 Physical Security of Assets**

The physical security of assets is the responsibility of the Facilities Section together with the custodian or user of the specific asset. The FAS must ensure that sufficient procedures exist in this regard. Procedures to safeguard assets must be coordinated with the Security Department.



### **18.3 Barcoding of Assets**

All assets must be barcoded with the University's barcodes on receipt and before they are taken into use.

Land and buildings will not be bar-coded. Land and buildings will be identified by the Erf number as well as the physical address.

### **18.4 Management of the Fixed Assets Register**

The Information Communication Technology (ICT) Services department must ensure that only authorized FAS accountants may have access to maintenance of the asset register. The FAS accountants may only do so from the terminal in their offices or from a secured WAN connection.

The authorisation for access to the Asset Register is only provided by the Director: Management Reporting. Access is granted in 3 levels: read-only, partial and full access.

### **18.5 Removal of Assets from Campus**

Authorisation for removal of assets from the University campuses is only vested in the Deans, HODs and the Director: Management Reporting. However, should the Deans, Vice-Chancellor or the Director: Management Reporting wish to take assets off a Campus, any member of the Instructional Management Executive Committee may authorise the Asset Movement Form.

### **18.6 ICT Assets Assigned to Departments**

ICT assets assigned to departments may include laptops or other computers, printers, cell phones and tablets. The department assumes responsibility for the security, safekeeping, care and proper use of the equipment concerned and will be accountable for it at all times. It may not be removed unless the provisions of clause 18.5 are adhered to.

Such equipment will be recorded in a specific register by ICT even if its value is below the amount stated in **Error! Reference source not found..**

## **18.7 ICT Assets Assigned to Individuals**

ICT assets assigned to individual staff members may include laptops, cell phones, portable printers, tablets and modems. Such equipment becomes the responsibility of the individual staff member. The staff member will be responsible for the safekeeping, care and proper use of the equipment concerned and will be accountable for it at all times. Such equipment may be removed from Campus but may only be used for University purposes.

The ICT equipment must be returned to ICT on termination of employment or at the end of its useful life.

Any losses or damage must be reported to ICT as soon as it becomes known.

The ICT Department will keep a register of this equipment and the name of the staff member it has been assigned to.

## **18.8 Insurance of Assets**

The CFO will determine what risk management processes should be in place for each category of assets.

The University shall provide insurance cover for all assets against total or partial loss thereof. This includes all project assets.

The replacement values of all moveable assets must be reviewed annually to ensure that insured values are realistic so that appropriate cover can be provided.

The insured values of all other assets including buildings are to be reviewed annually by the CFO in conjunction with any other appropriate experts.

## **18.9 Loss or Damage to Assets**

It is the responsibility of each custodian or user member of staff, as well as the relevant Head of Department, to ensure the safekeeping and maintenance of assets allocated.

The FAS must be notified by the relevant Head of Department of any assets moved, stolen, lost or irreparably damaged within not more than five working days.

Moveable assets which are reported stolen, lost or irreparably damaged will also be treated as disposals in terms of this policy. Such items should also be removed from the Fixed Assets Register.

### **19.3 Furniture**

Furniture is to be received by the FAS and barcoded. Where applicable this can be done at campus level. Distribution to the end user will be performed by the FAS. The end user is responsible for recording any further movements of the furniture concerned and notifying the FAS.

### **19.4 Equipment**

Equipment is to be received by the FAS and barcoded where possible. Where applicable this can be done at campus level. Distribution to the end user will be performed by the FAS. The end user is responsible for recording any further movements of the equipment concerned and notifying the FAS. Specialised equipment may be received directly by the end user. However, the FAS remains responsible for barcoding the equipment concerned and recording it in the Fixed Assets Register.

### **19.5 Project Assets**

Project Assets will be received and barcoded in the same manner as University equipment. Project Assets will be recognised in accordance with the provisions of the contract with the Funder. Project Departments will analyse the provisions and provide guidance.

### **19.6 Monthly Procedures**

These procedures must be effected monthly:

- 19.6.1 Reconcile general ledger accounts to the respective FARs.
- 19.6.2 Ensure that all descriptions are sufficient to correctly classify and identify the assets.
- 19.6.3 Ensure that globular payments are broken down so that the components are correctly identified and classified.
- 19.6.4 Transfer completed asset values from Work in Progress where necessary.
- 19.6.5 Assets disposed of during the period to be removed from the respective asset accounts and the respective FAR.

## **19.7 Annual Procedures**

The FAS must take responsibility for the following procedures at the end of the financial year:

19.7.1 Review Work in Progress and transfer to asset accounts once the work has been completed and taken into use;

19.7.2 Assess useful lives of all Property Plant and Equipment and record on the respective FARs;

19.7.3 Note on the FAR where fully depreciated assets are still in use;

19.7.4 Conduct an impairment assessment of all assets taking into account such as:

- Assets that are the subject of insurance claims;
- Assets damaged during protest actions;
- Assets removed from the University without permission; and
- Assets not being properly maintained.

19.7.5 For Land and Buildings, conduct a WINDEED search against all Erf numbers once every three years to ensure that all property is properly accounted for;

19.7.6 Review asset and maintenance accounts to determine that assets are being classified correctly in terms of the policy.

Campus Financial Management to take responsibility for reviewing all the above and to ensure that all monthly and annual procedures have been done.

Non-adherence to the policy may result in disciplinary action being taken against the officials responsible.