

ITEM HEADING

C266/2025 DIRECTORATE FINANCE: DEPARTMENT ASSETS & INSURANCE: ASSETS TO BE WRITTEN OFF

[English version of the report is the original]

FILE NUMBER

6/1/1/4

PURPOSE / AIM OF REPORT

To obtain the Council's approval for the write-off of assets that (1) could not be verified and (2) which is of no economic use to perform any kind of service delivery activity.

BACKGROUND

- a. Assets that could not be verified were informed by the annual asset verification process of which all efforts are clearly illustrated in the initial item (attached as annexure A). A significant observation and major attribution factor were the high level of turnover in staff which resulted in a breakdown of controls although an approved Standard Operating Procedure for movable assets (attached as annexure B) was in place.

An asset that could not be verified, shall be written off only on the recommendation of the director of a department controlling or using the asset concerned, and with the final approval of Council.

Every director of a department shall annually report to the CFO on any assets which the director of a department wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports and shall promptly submit a recommendation to the Council on the assets to be written off.

- b. An asset with no economic use refers to an asset that has no future service potential or economic benefit for the municipality. The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the municipality. The potential may be a productive one that is part of the operating activities of the municipality. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative process lowers the costs of providing a service.

Service potential is thus the capacity of an asset, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipality.

DISCUSSION

Important for Council to note is that an asset that was categorized under the two classifications set out in the above-mentioned background should not be recorded in the presented Annual Financial Statements and must be written off to give effect to a complete, accurate and credible asset register.

To avoid adverse external audit findings (from both Auditor General of South Africa and National Treasury) that a municipality has a fully up-to-date asset register that records the name, type, allocation and value of the assets under its control. The asset register forms a critical source of information required during the decision-making process on the validity and reasonability of asset transfers and disposals.

The write-off that must be performed should not be halted or delayed as the two categories will remain unchanged and must be recorded accordingly.

The safeguarding of assets and the management/enforcement for this item is deemed as a subsequent event in order for Management to implement more strict preventative measures to support proper and acceptable oversight by the Municipal Council.

COMMENTS FROM DIRECTORATE

Revised item.

FINANCIAL IMPLICATIONS (ITEM AUTHOR)

All the assets have been paid for. The council will save on further insurance premium and depreciation (as well as other related expenses).

LEGAL IMPLICATIONS (ITEM AUTHOR)

As per MFMA section 14.

As per Municipal Assets Transfer Regulations.

As per Theewaterskloof Asset Management Policy.

RISK MANAGEMENT IMPLICATION (ITEM AUTHOR)

Not applicable.

RECOMMENDATION BY ITEM AUTHOR:

It is recommended that Council approves the disposal of assets per Annexure C.

DISCUSSION DURING THE MEETING:

Councillor H Linnerts

Concern about this agenda-item on page 10 - 6 stolen items.

My concern is how did we get there and what are the specific items.

The assets not verified in annexure A – don't see evidence and that is unacceptable.

On page 13 we need a more detailed report.

We haven't compiled with safety what is the chance for keeping people responsible.

Duplicate barcode – cannot verify.

Computer box sold for 1c.

Computer monitor sold for 20c.

On page 17 not verified evidence assets are as big as a notice board and projector.

Request that all the evidence comes to this portfolio.

It was the expense of the municipality, and all assets need to be verified.

Section 8 of the asset Management Policy: 8.2.3.1, 8.2.3.2 & 8.2.3.3 we don't hold people accountable.

Mr Mabhena also noted that it could potentially result in an audit finding should the auditors request to review any of the items and find that they are not available.

RESOLVED BY THE FINANCE COMMITTEE: 18 AUGUST 2025

After the Chairperson had given the Councillors an opportunity, and the item had been thoroughly discussed, on a proposal by Councillor H Linnerts and seconded by Councillor V Papier it was resolved as follows:

That the agenda-item be referred back and request that all substantial evidence / information be attached to the agenda-item and be re-submitted.

1. *Agenda-item referred back.*

2. *For finalization by the Director: Finance, Mr. P Mabhena.*

RESOLVED BY COUNCIL: 21 AUGUST 2025

Council resolved that the agenda-item be withdrawn and not discussed during the meeting.

1. *Agenda-item withdrawn.*

2. *For finalization by the Director: Finance, Mr. P Mabhena.*

DISCUSSION DURING THE MEETING:

Ms J Colyn provides the following explanation: here's two aspects regarding this.

The one is to comply and have our assets registered up to date for the ageing and in accordance with regulations.

The other aspect is to address the issue of why there is reasons for the missing items which is actually a subsequent event that can be dealt with by management.

We alluded to this in the item; we also said that many of these is as a result of a turnover of employees and the standard procedure isn't correctly followed. So, it's management's responsibility to reinforce that and that is what we hope to achieve this year by reinforcing all protocols and maybe reviewing it to do some new additions.

RECOMMENDATION BY THE FINANCE COMMITTEE TO COUNCIL: 14 OCTOBER 2025

After the Chairperson had given the Councillors an opportunity, and the item had been thoroughly discussed, on a proposal by Councillor H Linnerts and seconded by Councillor V Papier it was recommended as follows:

That Council approves the disposal of assets per Annexure C.

RECOMMENDATION TO COUNCIL:

It is recommended that Council approves the disposal of assets per Annexure C.

RESOLVED BY COUNCIL: 23 OCTOBER 2025

After the Chairperson had given the Councillors an opportunity, and the item had been thoroughly discussed, on a proposal by Alderman DA Appel and seconded by Councillor YM van Tonder, it was resolved as follows:

Council approves the disposal of assets per Annexure C.

For finalization by the Director: Finance, Mr. P Mabhena.