SOUTH AFRICAN MEDICAL

ASSOCIATION TRADE UNION

ASSET MANAGEMENT POLICY

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1. INTRODUCTION

The guidelines described in this document provides a framework for the management of the South African Medical Association Trade Union ("SAMATU")'s movable and immovable, Property, Plant and Equipment ("PPE"), investment property, intangible, biological assets and heritage assets.

2. SCOPE, OBJECTIVES AND APPLICABILITY

The objective of this Policy is for SAMATU to:-

2.1 Implement prevailing accounting standards;

2.2 apply asset management practice in a consistent manner and in accordance with legal requirements and recognized good practice;

2.3 develop mechanisms to safeguard all assets of SAMATU;

2.4 to ensure effective, efficient, and economical use of existing SAMATU assets;

2.5 to emphasize a culture of accountability and reporting with regard to SAMATU resources;

2.6 to ensure effective controls are communicated to management and staff through clear and comprehensive written documentation; and

2.7 to ensure SAMATU's asset policies and processes comply with the relevant regulations and/or policies.

3. GENERAL DEFINITION OF AN ASSET

An asset is a resource controlled by SAMATU as a result of past events and from which future economic benefits or service potential is expected to flow to the SAMATU. The definition has three components, which must all be satisfied in order to be classified as 'an asset' in an accounting sense. They are relevant to all forms of assets:

3.1 SAMATU has the capacity to control the service potential or future economic benefits of the asset, that it is control of the economic benefits or service potential of the asset rather than 'physical' control;

3.2 The service potential or future economic benefits arose from past transactions or events existing on the reporting date (that is future assets cannot be recognised in the financial statements); and

3.2.1 The asset has future service potential or economic benefit for SAMATU. 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 SAMATU. The potential may be a productive one that is part of the operating activities of SAMATU. 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.

3.2.2 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 SAMATU.

3.2.3 An asset held under a finance lease, if it meets the remaining criteria of a fixed asset, shall be so recognized, as SAMATU has control over such an asset even though it does not own the asset.

4. DEFINITIONS OF TYPES OF ASSETS

Fixed Asset:

4.1 A fixed asset is an asset with an expected useful life greater than 12 months.

4.2 Property, plant, and equipment ("PPE"):

4.2.1 Property, plant, and equipment are tangible assets that are held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes; and are expected to be used during more than one reporting period.

4.2.2 This includes items necessary for environmental or safety reasons to leverage the economic benefits or service potential from other assets. Insignificant items may be aggregated.

4.2.3 Property, plant, and equipment are broken down into groups of assets of a similar nature or function in SAMATU's operations for the purposes of disclosure in the financial statements.

4.3 Immovable PPE:

4.3.1 Immoveable PPE are fixed structures such as buildings and roads. A plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).

4.4 Movable PPE:

4.4.1 Movable assets are the stock of equipment owned or leased by SAMATU such as office equipment and furniture, motor vehicles and mobile plant.

4.5.Investment property:

4.5.1Investment property is defined as property (land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

4.6 Intangible assets:

4.6.1 Identifiable non-monetary assets, without physical substance are intangible assets, for examples licenses or rights (such as water licenses), servitudes and software.

4.6.2 An asset meets the criterion of being identifiable in the definition of an intangible asset when it:

4.6.2.1 is separable, i.e. is capable of being separated or divided from SAMATU and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, regardless of whether SAMATU intends to do so; or

4.6.2.2 Arises from binding arrangements regardless of whether those rights are transferable and separable from SAMATU or from other rights and obligations.

4.7Donated, sponsored and/or bequeathed assets:

4.7.1 An item donated, sponsored, bequeathed or acquired at no cost, or for a nominal cost, to SAMATU or acquired by means of an exchange of assets between SAMATU and one or more other parties shall be recorded in the asset register only if it subscribes to the definition of an asset as set out in section 2.1 above.

4.8 Heritage assets:

4.8.1 Heritage assets are defined as assets that have cultural, environmental, historical, natural, scientific, technological, or artistic significance and are held indefinitely for the benefit of present and future generations.

4.9.Control:

4.9.1 An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of others to that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.

4.10.1Past transactions or events:

4.10.1 Assets are only recognised from the point when some event or transaction transferred control to an entity.

4.10.2 Probability of the flow of benefits or service potential.

4.10.3 The degree of certainty that any economic benefits or service potential associated with an item will flow to SAMATU is based on the judgement by the office of General Secretary

4.11 Service Potential:

4.11.1 An asset has service potential if it has the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of SAMATU, such as the provision of services.

4.12 Leased assets:

4.12.1 A lease is an agreement whereby the lessor conveys to the lessee (in this case, SAMATU) the right to use an asset for an agreed period of time in return for a payment or series of payments.

4.12.2 Leases are categorised into finance and operating leases:-

4.12.2.1 A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the asset are substantially transferred to SAMATU, the lease is regarded as a finance lease and the asset recognised by SAMATU.

4.12.2.2 Where there is no substantial transfer of risks and rewards of ownership to SAMATU, the lease is considered an operating lease and payments are expensed in the income statement on a systematic basis (straight line basis over the lease term).

5 GOOD ASSET MANAGEMENT

5.10 Financial Accountability promotes good asset management. The following should be enforced to ensure proper asset management:

5.10.1 all assets must be properly identified, controlled and recorded in SAMATU's Asset Register until they are ultimately disposed and cease to be in the ownership of SAMATU;

5.10.2 all assets defined in terms of clause 2.3 hereof must be uniquely identified with an asset barcode / tag or permanent marker assigned by SAMATU;

5.10.3 the asset must be identified and defined in terms clause 2 hereof and must be reflected in the Asset Register of the SAMATU;

5.10.4 all asset transactions must be duly authorized and noted by the relevant delegated personnel; and

5.10.5 all assets must be kept safe and maintained in good working order.

6. DUTIES AND RESPONSIBILITIES OF THE NATIONAL FINANCE COMMITTEE

6.1 Unless indicated otherwise in terms of this Policy and/or any other policy of SAMATU and/or any relevant legislation, the Treasurer General, together with the General Secretary, shall be the custodian of the asset register of SAMATU, and shall ensure that a complete, accurate and up-to-date computerised asset register is maintained. No amendments, deletions or additions to the fixed asset register shall be made other than by the Treasurer General, General Secretary or by an official acting under the written instruction of the Finance Manager.

7 ACCOUNTING STANDARDS

7.1 The SAMATU is to comply with the Standards of Generally Recognised Accounting Practice ("GRAP"), in line with international practice.

7.2 The Accounting Standards Board ("ASB") has approved a number of Standards of GRAP. When compiling the asset register in accordance with the accounting standards, the requirements of GRAP cannot be seen in isolation. Various other accounting standards impact on the recognition and measurement of assets and should be taken into account during the compilation of a GRAP compliant asset register.

8 ASSET ACQUISITIONS

8.1 All acquisitions which fall within the ambit of the Norms and Standards allocation are procured according to the procedures in terms of this Policy and any other relevant Policy.

8.2 Procurement of other assets not covered by the above must be guided by any agreements entered into by the office of the General Secretary in consultation with the National Finance Committee and the National Executive Committee. Asset purchases must follow the normal procurement policy..

8.3 Assets must be recorded in SAMATU's Asset Register within 7 (seven) days of delivery by the Treasurer General. Upon receipt of assets, the receiving official must inspect the goods received against the original order, requisition form, and invoice to ensure that the correct quantity and quality of assets are received, and that the correct prices were charged.

8.4 Upon acquisition of the asset said asset must be insured with the requisite comprehensive insurance immediately..

9 ASSET DONATIONS/SPONSORED/BEQUEATHED

9.1 Any donations to SAMATU, in money or in kind must be recorded in a Donations Register, which must be kept in the Treasurer General's office. Money donations must be receipted and, if requested, the relevant Tax Certificate must be issued. The following information must be clearly and explicitly reflected in the Register:

9.1.1 full description regarding the nature of the donation;

9.1.2 the value or estimated value of the donation;

9.1.3 how and for what the donation will be utilized;

9.1.4 full name, contact number and address of the donor; and

9.1.5 any conditions that may be attached to the donation be clearly indicated.

9.2 Donated assets will be disclosed in the Statement of Financial Position at fair value less accumulated depreciation at date of acquirement. Fair value being what the asset would cost in the open market at the date of acquirement. If there is no open market for such assets the depreciated replacement value will be applied to determine fair value. The transaction of acquirement will reflect on the Statement of Changes to Net Assets as "Assets Donated/Bequeathed".

9.3 Termination, cancellation and/or rejecting of sponsorship or donation shall be regulated by the terms of the Sponsorship and Donation Policy of SAMATU.

10 PERSONAL USE OF SAMATU ASSETS

10.1 Under no circumstances may an official, employee and/or member utilise SAMATU's assets for personal gain.

10.2 SAMATU's assets may only be used for the organisation's purposes authorised by the General Secretary. Assets of SAMATU should only be used at authorised venues and times as determined and enforced by General Secretary.

11 ASSET DISPOSAL

11.1 Only the Treasurer General may dispose of assets provided that:

11.1.1 If they cannot be repaired or used for their intended purpose.

11.1.2 He or she received the approval by the National Finance Committee in consultation with the National Executive Committee.

11.2 The National Finance Committee must follow the following procedures when deciding on the disposal of obsolete furniture, equipment and movable assets:

11.2.1 All SAMATU furniture, equipment and movable assets, unless otherwise stated, are the sole property of SAMATU.

11.2.2 The General Secretarymust provide the FINCOM with a complete written description of any furniture, equipment and movable assets considered obsolete. Furniture, equipment and movable assets must be held at the premises of SAMATU until approval is given for disposal.

11.2.3 The user of the asset must report a malfunctioning asset to the General Secretary indicating the reason for the need to dispose the asset.

11.2.4 The General Secretary must inspect the asset(s) and, if deemed necessary, recommends the disposal and submits the request to the Treasurer General.

11.2.5 Assets can only be disposed and removed from SAMATU's premises when the relevant authority has approved so.

11.2.6 If sold, the proceeds from the disposal of assets must be deposited to the SAMATU's bank account.

11.2.7 SAMATU's Asset Register must be updated accordingly when the disposal has been concluded.

12 ASSET LOSSES, THEFT OR DAMAGES

12.1 All officials, employees and/or members entrusted with SAMATU assets are responsible for the management, including the safeguarding of those assets within that official's area of responsibility. The following must be taken to consideration when a loss, theft or damage of a SAMATU asset has occurred:

12.1.1 When a SAMATU asset (e.g. a vehicle, computer equipment, printer, cellphone etc.) has been lost, the incident must be reported to the nearest South African Police Services (SAPS) Office within 48 hours and a case number must be obtained.

12.1.2 A detailed report must be submitted to the General Secretary by the affected official explaining the incident.

12.1.3 The report must be submitted to the National Finance Committee.

12.1.4 The report is then submitted to the office of the Treasurer General to approve write-off of the asset from SAMATU's Asset Register.

12.1.5 Only when the approval to write-off the assets has been granted shall it be removed from SAMATU's Asset Register.

12.1.6 Any person who loses laptops, cameras, tablets, cellphones, etc. assigned to them must pay for the cost of those items irrespective(with proven negligence) of circumstances surrounding the loss.

12.2 All officials, employees and/or members entrusted with SAMATU assets who indirectly of directly cause or found guilty to cause damage to SAMATU assets shall be required to provide a sworn statement detailing the cause of the damage.

After receipt of the sworn statement, the President may proceed to claim such loss due to damage directly from said officials, employees and/or members.

13 DEPRECIATION OF ASSET

13.1 All fixed assets, except land and heritage assets, shall be depreciated.

13.2 The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.

13.3 The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by SAMATU.

13.4 The depreciation charge for each period will be recognized as an expense against the budget of SAMATU unless it is included in the carrying amount of another asset.

13.5 The depreciation method used shall reflect the pattern in which the assets future economic benefits or service potential are expected to be consumed by SAMATU.

13.6 A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

13.7 The depreciation method will be the straight-line method unless otherwise agreed to in writing by the Treasurer General.

13.8 Depreciation shall be calculated from the day the fixed asset is available for use (GRAP 17).

13.9 National office bearers, acting in consultation with the Treasurer General, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

13.10 The procedures to be followed in accounting and budgeting for the amortization of intangible assets shall be identical to those applying to the depreciation of other fixed assets

14 INITIAL DETERMINATION OF USEFUL LIFE

14.1 The National Finance Committee needs to determine the useful life of a particular item or class of asset through the development of a strategic asset management plan. The determination of useful life should be developed as part of any pre-acquisition planning that would consider, inter alia, the following factors:

14.1.1 The program that will optimize the expected long-term costs of owning that asset;

14.1.2 Economic obsolescence because it is too expensive to maintain;

14.1.3 Functional obsolescence because it no longer meets SAMATU's needs;

14.1.4 Technological obsolescence;

14.1.5 Social obsolescence due to changing demographics; and

14.1.6 Legal obsolescence due to statutory constraints.

15 REVIEW OF USEFUL LIFE

15.1 Only the Treasurer General may amend the useful operating life assigned to any asset, and when any material amendment occurs, Treasurer General shall inform the National Finance Committee and the President of such amendment.

15.2 The Treasurer General shall amend the useful operating life assigned to any asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

15.3 The useful life of an item of property, plant or equipment should be reviewed only when there is an indicator that the current useful lives are not appropriate. Annually the Treasurer General will review a list of circumstances that could indicate the need to revise the useful lives of assets. If any indicators require useful lives to change and these revised expectations are significantly different from previous estimates, then the depreciation charge for the current and future periods should be adjusted and the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question. The indicators are those listed under impairment indicators.

16 GENERAL MAINTENANCE OF ASSETS

16.1 The General Secretary shall be directly responsible for ensuring that all assets are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

17 REPORTING

17.1 At the end of every financial year, the Treasurer General must report to the President on asset retention for the following financial year, citing reasons for loss or damage.

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