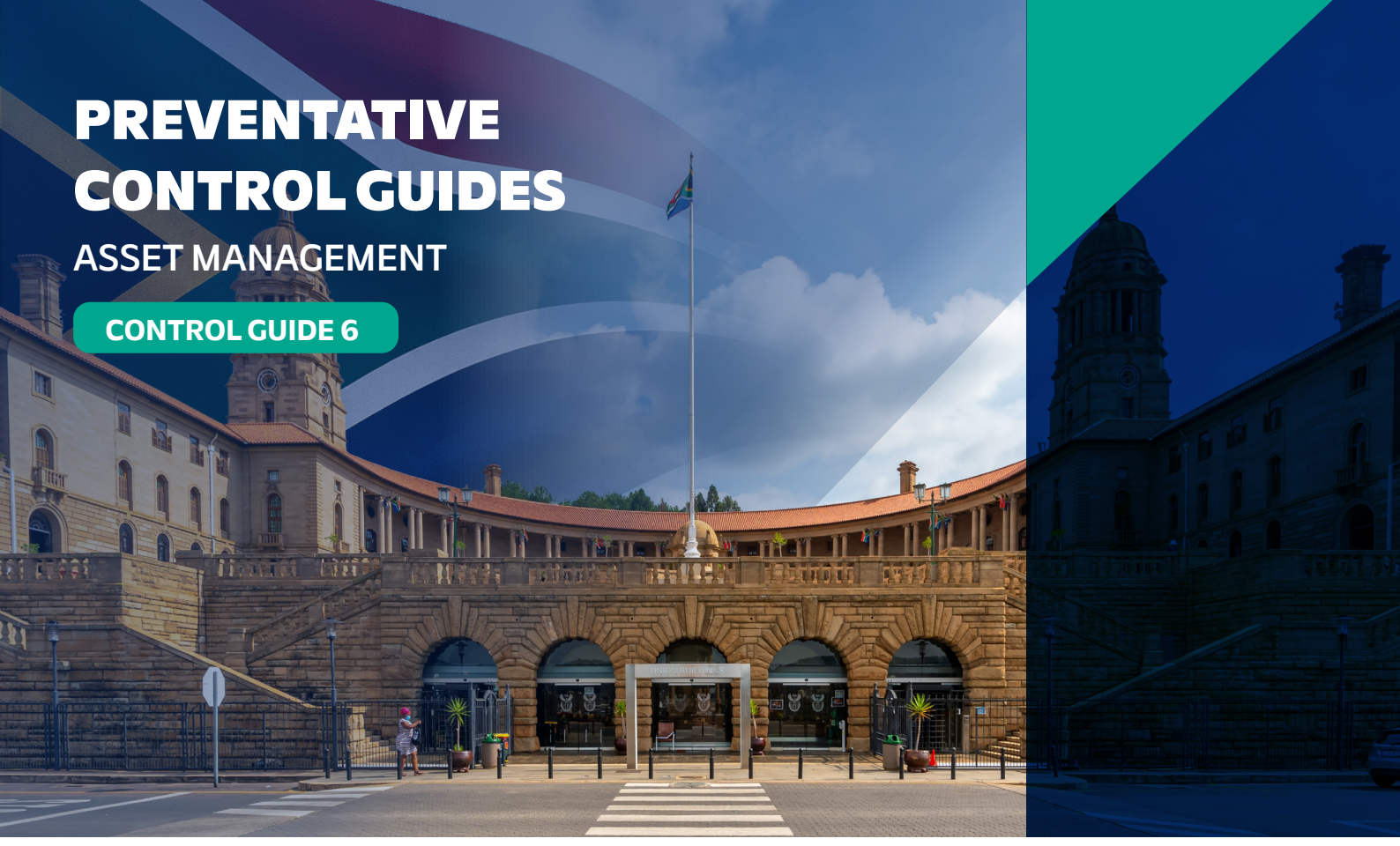
PREVENTATIVE CONTROL GUIDES

ASSET MANAGEMENT

CONTROL GUIDE 6



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AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026

PREVENTATIVE CONTROL GUIDES

This guide forms part of a series of preventative control guides developed to support a stronger system of accountability. The series of guides provide practical insights to help leadership, management and oversight structures strengthen governance, effectively manage risks and create environments where accountability can thrive.

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What this guide is about

The assets of a public sector institution form part of the resources it requires to pursue its service delivery and/or business objectives. The management of these assets includes deciding on which assets to use for which purpose and where and how to use the assets.

It is therefore imperative that the management of the institution is well-informed and frequently updated on the assets that the institution holds and the current use and condition of these assets. This needs to inform the decisions related to acquisition, safeguarding, maintenance and disposal.

Legislation places the responsibility for the effective, efficient, economical and transparent use of the resources of the institution on the accounting officer. The accounting officer is also specifically tasked with the management, including the safeguarding and maintenance, of assets.

Non-adherence to these responsibilities is likely to result in losses or the incurrence of fruitless and wasteful expenditure due to theft, deteriorating assets or assets owned and paid for not being utilised.

Audit outcomes demonstrate that in many cases the controls over asset management are not effective.

Poor asset management typically results in the following deficiencies:

- Asset registers not being updated regularly.
- Asset registers not being reconciled to the accounting records, resulting in material differences between the asset register and financial records.
- Assets that are under the control of the institution not being included in the asset register.
- Asset registers not containing sufficient detail to enable the identification of the physical assets recorded in these registers.

This guide on preventative controls in asset management focuses on the management of assets when these are already controlled by the institution. The guide addresses the category of assets referred to in the accounting frameworks as property, plant and equipment. Assets falling in this category include land and buildings, plant and machinery, vehicles as well as furniture and equipment.

This guide will assist with key preventative controls that need to be implemented by institutions in the management of assets to minimise the potential for errors in the recording of assets and potential losses to the institution. Oversight structures and executive authorities can use this guide to require assurance from accounting officers and authorities that these preventative controls have been implemented and are working effectively – this is presented as questions to ask the accounting officers and authorities.

Controls accounting officers and authorities should implement

An institution must firstly identify all the assets under its control or ownership and where all these assets are. Ownership and/or control of assets should be supported by purchase documentation and contracts, or documents of title, which should be properly kept and easily retrievable by the institution for reviews and checks to be performed.

The identification of the assets will enable the institution to prepare a complete asset register of the assets under its control. All available sources should be used in determining the complete record of assets under the control of, or belonging to, the institution. These can include:

- Title deed searches for properties registered in the name of the institution
- Agreements for assets to be transferred from other structures of government
- Review of legislation determining custodianship of assets
- Registers and records currently kept by the institution in different locations
- Physical verification of assets at all identified premises of the institution.

It should be ensured that all assets are easily identifiable by using barcodes, if possible, or descriptions of the exact location and details of the asset in the asset register.

Secondly, the institution must perform a conditional assessment of all its assets to determine the state of the assets. The conditional assessment of the assets will enable management to plan whether any assets should be disposed of or refurbished and when and how often maintenance should be performed.

Questions oversight structures and executive authorities could ask to obtain assurance

1. Does the institution have a complete record of all the assets under its control?
2. Which completeness checks were performed by the institution to ensure that no assets owned or controlled by the institution were missed in compiling the record?
3. Does the record of assets indicate the location of each asset and provide a sufficient description or identification number to enable the identification of the physical asset?
4. Does the record of assets describe the condition of the asset in sufficient detail?
5. Internal audit units regularly perform audits on asset management as they are required by legislation to focus their efforts on key risks to the institution. The chief audit executive may be asked for his/her observations on the asset records of the institution. The chair of the audit committee may also be asked for the committee's observations as an independent assurance provider.



Why it is important

Service delivery and other objectives are likely to be compromised if an institution is unaware of which enabling assets belong to them.

Without a complete record of all the assets and their location, assets will be left unattended and unmaintained without any accountability being taken for them.

The identification of assets will, however, inform the institution which assets they have available to enable service delivery.

A lack of conditional assessments will result in assets not being adequately maintained. Conditional assessments are also essential to provide information on when assets should be decommissioned to avoid the risk of these assets becoming a hazard to the safety of citizens.

Applicable legislation

Section 38(1)(b) of the Public Finance Management Act states that the accounting officer for a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution. These resources include the institution's assets and a complete record of them to enable their management.

Section 6(1)(a) of the Municipal Finance Management Act determines that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must, for this purpose, take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically. Furthermore, section 63(2) of the Municipal Finance Management Act requires the accounting officer to take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality; and that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

These requirements are also applicable to municipal entities as per sections 96(2)(a) and 96(2)(b) of the Municipal Finance Management Act.

Learn more about this control here

National Treasury website:

- Guidelines issued in terms of the Asset Management Framework
- Local Government Capital Asset Management Guideline

Controls accounting officers and authorities should implement

Controls to manage the access to, and custody of, assets should be implemented to prevent theft, unauthorised use, damage and the deterioration of assets. The custody controls should include procedures that specify how assets need to be stored, secured, treated and maintained.

The records of the assets in the custody of the institution need to be kept up to date to enable safeguarding and control over the appropriate use of these assets.

All new assets should be recorded in a register at the point of acquisition. Physical counts should be performed on a regular basis to confirm and ensure that the register accurately and completely reflects the physical assets owned and controlled by the institution.

Based on the conditional assessments of assets, a maintenance plan specifying when and how often which assets will be maintained should be established. The maintenance plan should be used to inform the budget of the institution, to ensure that funds will be available for maintenance when required.

Maintenance is critical to ensure that capital assets continue to operate at optimal levels of effective, efficient and economical service delivery and to prevent assets from having to be replaced at great expense.

Questions oversight structures and executive authorities could ask to obtain assurance

1. How does the institution ensure that its assets are safeguarded against theft, misuse or damage?
2. Do the measures in place to safeguard assets cover all of the assets as per the institution's records?
3. How many cases of theft, loss or damage of assets have been recorded in the past financial year and what additional measures has the institution put in place to avoid future recurrences?
4. How often is maintenance on assets done? [This question can be asked in relation to the specific classes of assets that the institution has, e.g. how often is maintenance done on vehicles?]
5. Which assets have been identified that are obsolete? Were these assets at the end of their life cycle as per the asset strategy? If not, how did the assets become obsolete and what measures have been put in place to avoid assets becoming obsolete prematurely in future?
6. Internal audit units regularly perform audits on asset management as they are required by legislation to focus their efforts on key risks to the institution. The chief audit executive may be asked for his/her observations on the safeguarding and maintenance of the institution's assets. The chair of the audit committee may also be asked for the committee's observations as an independent assurance provider.



Why it is important

As the assets of the institution form an integral part of the resources required to deliver services, these assets need to be protected and preserved to ensure their continued availability for use.

All new assets need to be recorded as soon as they come under the control of the institution to ensure that these can be safeguarded effectively and that any potential loss or deterioration can be prevented or managed.
Keeping the asset records up to date will ensure that assets can continue to be safeguarded and maintained.

Controls to secure assets are required as certain types of assets such as laptop computers are at a high risk of being stolen. Assets such as infrastructure are again at risk of being damaged and/or vandalised and losing their potential to provide economic benefits. Security measures will need to be implemented to prevent damage to such assets.

Controls to prevent unauthorised use will deter the misuse or the inappropriate use of assets. A lack of controls will result in these assets deteriorating more rapidly and not being able to deliver at optimal levels.

The maintenance of assets is essential to ensure their continued effective operation throughout their lifetime. For example, infrastructure and vehicles that are not maintained will eventually cease to operate and require replacement at great cost to the public purse.

Applicable legislation

Section 38(1)(d) of the Public Finance Management Act states that the accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safeguarding and the maintenance, of assets. Furthermore, treasury regulation 10.1.1(a) requires the accounting officer of an institution to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse.

Section 63(1)(a) of the Municipal Finance Management Act determines that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.



Learn more about this control here

National Treasury website:

- Guidelines issued in terms of the Asset Management Framework
- Local Government Capital Asset Management Guideline

Controls accounting officers and authorities should implement

Institutions should implement policies and procedures to govern the management of assets by the institution. Such policies and procedures should assign clear accountability and responsibilities to identified individuals.

The segregation of duties should be prescribed by these policies and procedures to ensure that the following functions are performed by independent individuals:

- Custody and recording of assets
- Review and reconciliation

Staff members assigned custodianship of assets should periodically inspect assets physically and ensure that the information on assets in their custody agrees to the number of assets and the descriptions of these in the asset register.

The accuracy and completeness of the asset register should be regularly and independently reviewed by the asset manager.

An independent record of assets should be kept in the accounting system by the finance unit based on the balances carried forward from the prior period and the processing of any acquisitions or disposals of assets within the current period.

A reconciliation should be performed periodically between the asset accounting records and the asset register. Any differences should be resolved by investigating the reason for the difference and making the required adjustments, authorised in terms of the institution's delegation framework, to either the asset register or the accounting record.

Questions oversight structures and executive authorities could ask to obtain assurance

1. Does the institution have approved and documented systems of delegation and accountability?
2. Are the following functions allocated to separate individuals as per this system:
   - Custody and recording of assets
   - Review and reconciliation
3. Has any collusion been identified between employees in the asset management system? If so, how was the specific cases addressed and how was the system strengthened to reduce the possibility of collusion occurring in future?
4. Are the accounting records reconciled back to the asset register on a regular basis?
5. Which exceptions have been identified from the performance of these reconciliations?
6. If exceptions have been identified, how have these been addressed by correcting the accounting records or asset register; and how have controls been strengthened to improve correlation between the accounting records and asset register?
7. If the assets disclosed in the financial statements were previously qualified because the values did not reconcile to the asset register, what corrective actions have been implemented to ensure that the qualification does not occur again in future?
8. Internal audit units regularly perform audits on asset management as they are required by legislation to focus their efforts on key risks to the institution. The chief audit executive may be asked for his/her observations on the segregation of duties in the management of assets. The chair of the audit committee may also be asked for the committee's observations as an independent assurance provider.



Why it is important

The segregation of duties is an essential element of effective preventative controls as it reduces the risk of errors or illegal events occurring since it facilitates the checking or authorisation of one individual's actions by another.

It is also essential for the custody and recording of assets to be segregated. The reason for this is that if an individual has control of an asset and keeps the records pertaining to the asset, the record of the asset can be made to agree with the physical assets on hand and therefore an opportunity arises for the assets to be misappropriated.

This being said, the segregation of duties can only be effective if there is no opportunity for collusion by separate individuals – management will have to remain alert to any indications that collusion may be occurring.

The review and reconciliation of asset records to the underlying assets is required to be able to identify, investigate and resolve any differences and therefore ensure that the number and value of assets reported in the financial statements are reliable.

Applicable legislation

Compliance with the legislative requirements to have adequate controls for asset management per section 38(1)(b) of the Public Finance Management Act and sections 6(1)(a), 63(2)(a) and (c) and 96(2)(a) and (b) of the Municipal Finance Management Act will be enabled by ensuring that duties within the control system are segregated.

Furthermore, the segregation of duties will strengthen the institution's ability to comply with the legislative requirements to safeguard and maintain assets as per section 38(1)(a) of the Public Finance Management Act, treasury regulation 10.1.1(a) and section 63(1)(a) of the Municipal Finance Management Act.

Learn more about this control here

National Treasury website:

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