



REPUBLIC OF BOTSWANA

Public Asset Management Policy



MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

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MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

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Special thanks also go to all stakeholders and officers who participated and devoted their time to ensure successful completion of the development of the Policy. Without their support and input, this policy could not have seen the light of the day.

We trust that this policy will go a long way in improving the management of public fixed assets for enhanced public confidence and improved public service delivery.

FOREWORD

As part of the socio-economic infrastructure for the country, public assets are crucial in improving productivity and ensuring efficiency in the delivery of public services. There is need for prudent management of public assets, both financial and non-financial, to ensure continued delivery of services. In this regard, there is need to ensure that public assets are managed efficiently and optimally for the benefit of the citizens.

The existing legal and regulatory framework and underlying policy framework provide little guidance on strategic public asset management practice with more emphasis skewed towards financial assets. A diagnostic study indicated that in most line ministries and State Owned Entities, there is no formal linkage between the entity's delivery objectives and its asset base, let alone information about asset performance.

Asset management is an essential component of good governance in the public sector hence it is a key element in enabling better public service delivery. The overarching objective of the physical asset management is to deliver government's strategic and operational objectives through the planning and management of an efficient and effective asset base. In order to achieve optimal delivery of the government's program objectives, physical asset management ought to be closely integrated with an entity's strategic, operational and financial management processes.

It is against this background that, as part of a wide range of Public Financial Management Reforms, the Ministry of Finance and Economic Development initiated the development of a Public Asset Management Policy (PAMP), the purpose of which is to provide an overarching asset management framework.

The PAMP provides guidance on the entire process of asset management, including identification, acquisition, valuation, operations, maintenance, disposal, write off, and recording of government physical assets. It requires that all assets owned by the Government shall primarily and solely be used to optimally support the delivery of current and future government services. Service delivery in this context includes the attainment of government objectives, particularly where assets could be used for land reform, economic empowerment, poverty alleviation, employment creation, and redistribution of national wealth. This could be achieved by developing and instituting formal asset management strategies and associated plans, based on the asset life-cycle.

The implementation of this policy will go a long way in supporting the realisation of the aspirations of Batswana and national priorities as espoused in Vision 2036 and the National Development Plan (NDP11).



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Dr. Thapelo Matsheka

MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

1. INTRODUCTION

The Government of Botswana has been operating without an overarching policy framework as well as effective institutional arrangements for managing public assets. The absence of a policy framework to guide the management of public assets has resulted, in some cases, to unnecessary waste of public resources, when some of these deteriorated to a point of unserviceability. This, in turn, compromises the ability for government to deliver public services. Failure to perform regular maintenance and repair is usually associated with financial constraint. However, the real issue is the entrenched culture of replacement, rather than maintenance, which eventually costs the government significantly more than continuous preventative maintenance would cost.

In addition, the absence of a policy and a detailed register of government assets results in misallocation of resources in the form of over and under-utilisation of public assets across all public entities. A better understanding of the government's asset base, combined with behavioural changes driven by the policy, will contribute significantly to public service delivery and the socio-economic development of the country.

The purpose of this Policy is therefore to provide a framework within which government assets purchased, constructed or received through donation, are managed in such a manner as to ensure the best use of public funds and to facilitate the effective and efficient delivery of goods and services to the public.

This document is divided into five chapters including; the Introduction covered in Chapter 1, while Chapter 2 provides for the Definition and Scope of the Policy. The details of the Policy are provided for in Chapter 3 of the Policy. Chapter 4 provides for Implementation of the Policy and the Public Asset Management Procedures are provided for in Chapter 5 as described in Sections 5.1 – 5.16.

2 DEFINITION AND SCOPE OF THE POLICY

Public assets are assets that are owned and controlled by the Government and its State Owned Entities for the provision of public goods and services. They include assets acquired through purchase, construction, donation or natural occurrence. A glossary of other terms commonly associated with asset management is attached as an Annex to the Public Asset Management Procedures.

In terms of scope, this policy applies to the entire public sector, which comprises Central and Local Governments, State Owned Entities, and any other organisation whose assets have been procured through public funds. However, with regards to asset category, the policy applies to physical (non-financial) assets (movable and immovable) and computer software excluding inventories and financial assets.

3. PUBLIC ASSET MANAGEMENT POLICY

3.1 The Objective of the Policy

The overall objective of this Policy is to introduce a government wide asset management framework that will provide a practical full life-cycle management approach to public asset management that can be adopted by Botswana Government to assist in the effective management, maintenance, and efficient use of public assets to achieve their goals and agreed program delivery outcomes.

3.2 Specific objectives of the Policy

The specific objectives of the Policy are to:

- 3.2.1 provide all public entities with necessary guidance in relation to the management of public assets under their control throughout their economic life-cycle;
- 3.2.2 ensure that all assets are effectively and efficiently controlled, utilized, safeguarded, and managed to achieve the government's service delivery objectives within a Policy framework;
- 3.2.3 ensure that all public officers are aware of their responsibilities with regards to asset management;
- 3.2.4 provide separate procedures to ensure that all assets remain appropriate to service delivery requirements and are maintained to support those requirements at the lowest possible cost;
- 3.2.5 establish uniformity and ensure the application of common standards and minimum requirements in managing public assets and the related delivery of services;
- 3.2.6 promote accountability, fairness and transparency in the management of public assets within all sectors of government;
- 3.2.7 reduce the overall cost of service delivery;
- 3.2.8 reduce unnecessary demand for the acquisition of new assets;
- 3.2.0 enable the whole government to ensure demonstrable linkages between service delivery and immovable asset resource planning and coordination;

- 3.3.0 ensure that asset management decision making by individual public sector entities are undertaken within a government-wide common framework.

3.3 Key Asset Management Principles

The public asset management practices and processes of the government will be guided by the following principles:

- 3.3.1 Service delivery needs must guide asset management practices and decisions. Public entities shall undertake asset management activities within the strategic framework that is driven by government program and service delivery needs;
- 3.3.2 Asset planning and management must be integrated within each public entity's strategic business plans, budgetary and reporting processes. Planning, budgeting and reporting on assets must be integrated with broader institutional planning processes both within and across public entities;
- 3.3.3 Asset management decisions must be based on proper evaluations of alternatives that consider full life costs, benefits and risks of public assets. All capital expenditure decision must be based on rigorous and documented economic benefit analysis of options that include financial as well as non-financial parameters. The economic appraisals will be evaluated by a different party than the promoter of the proposed capital project;
- 3.3.4 Ownership, control, accountability and reporting requirements of public assets must be established, clearly communicated and implemented in all public entities. Control and ownership of all public assets shall be fully defined and accountability and reporting requirements determined and clearly communicated to responsible officers;
- 3.3.5 All asset management processes must be undertaken within this integrated Government asset management policy framework. Public entity asset management policies and procedures shall be based on best practice in government and industry and on Government policy.

3.4 Asset Life Cycle

- 3.4.1 The life cycle approach shall be adopted and used in the management of all public assets of the Government of Botswana.

- 3.4.2 The total life cycle costs of acquiring, operating and maintaining, and disposing of a public asset shall be considered before procuring the asset.

3.5 Capitalisation Thresholds and Classification

- 3.5.1 Items shall be considered for classification as public assets only where their useful economic life span is beyond one year, and their cost or value at the date of acquisition meet or exceeds those capitalization thresholds set out in the Public Asset Management Procedures included in this Policy.
- 3.5.2 All items which do not meet the capitalisation thresholds and classification requirements established in this Policy procedures shall be classified and managed as inventory.
- 3.5.3 All assets of each public sector entity shall be recorded in the Integrated Fixed Asset Register (IFAR) or equivalent fixed assets register in accordance with the classifications and other recording requirements set out in this public asset management policy and procedures.
- 3.5.4 Each public sector entity shall maintain a complete and an up-to-date asset register based on the classification and information requirements set out in the Policy procedures.
- 3.5.5 The central IFAR shall be maintained by the Office of the Accountant General within the Ministry of Finance and Economic Development as a central repository for all public asset information.
- 3.5.6 Minimum asset information requirements for purposes of maintaining the asset registers are stipulated in the procedures – chapter 5 of this Policy.

3.6 Asset Strategic Planning

- 3.6.1 The main purpose of asset strategic planning is to link service delivery strategies of the government with the needs and expectations of its citizens. The process normally encompasses the consideration of both current and future public service delivery strategies and their implications for the asset base.

- 3.6.2 Each public sector entity shall prepare an asset strategic plan that links the ownership, operation and maintenance of assets under its control to public service delivery.
- 3.6.3 The asset strategic plan shall be an integral part of each public entity's institutional strategic planning framework.
- 3.6.4 The asset strategic plan shall address all human resources, financial resources and support systems required to deliver the defined public services.
- 3.6.5 The asset strategic plan shall clearly identify the gap between the existing asset portfolio and the required assets to enable a public sector entity effectively deliver the mandated public services to achieve the overall government's policy objectives.
- 3.6.6 The asset strategic plan shall be operationalised in an asset management strategy/plan that shall include asset acquisition, asset operation and maintenance, and asset disposal and include such information as stipulated in the public asset management policy procedures.
- 3.6.7 The asset strategic plan shall be an integral part of the annual budgeting process requirements and all budgetary public sector entities shall annually submit to the Ministry of Finance and Economic Development such asset strategic plans together with their budget estimates for consideration and approval. Asset strategic plans shall inform budget allocations for assets of every public sector entity.
- 3.6.8 All budget submissions related to asset acquisitions without an appropriate asset strategic plan and associated asset management strategies and plans shall not be considered by the Ministry of Finance and Economic Development.

3.7 Asset Acquisition

- 3.7.1 Each public sector entity shall prepare an Asset Acquisition Plan where the asset strategic plan indicates that the organization requires additional assets or major improvements or upgrades to the existing asset portfolio to effectively support its service delivery requirements. The minimum information requirements of An Asset Acquisition Plan are stipulated in the procedures provided in chapter 5 of the Policy.

- 3.7.2 Asset acquisition plans shall be approved by Accounting Officers and submitted to the Ministry of Finance and Economic Development as part of the annual public sector entity budget submissions.
- 3.7.3 The asset acquisition plan shall guide the entire asset acquisition processes and properly assess all available acquisition options to address the identified asset needs (i.e. purchasing; leasing, construct; public private partnerships (PPPs); adapt, extend, refurbish existing assets; and expropriate private properties or rights therein in terms of relevant legislation) and their associated risks.
- 3.7.4 Acquisition of assets shall be based on comprehensive and properly documented and evaluated economic appraisals of the required assets. Key elements of the economic appraisal process are outlined in the procedures - Chapter 5 of this Policy.
- 3.7.5 Acquisition of assets shall consider the fitness of the asset for the intended purpose. Each entity shall conduct the “Fit for Purpose” appraisal to determine the right asset for a particular purpose and only the assets that are fit for the purpose shall be acquired.
- 3.7.6 Each public entity shall establish and document appropriate institutional arrangements for acquisition of public assets.
- 3.7.7 Where the acquisition involves high value and technically specialised assets such as infrastructure, plant and machinery etc., public sector entities shall ensure that the established institutional acquisition arrangements and the processes involve specialised technical experts from relevant specialised government agencies.
- 3.7.8 Assets shall be acquired in accordance with the Asset Management Plan, PFM Act, PPAD Act, the Financial Regulations, Financial Instructions, the Supplies Regulations and Procedures, and all other relevant regulations issued by the Public Procurement and Asset Disposal Board.
- 3.7.9 Acquisition of all high value specialized assets such as motor vehicles, plant and machinery, information communication and technology (ICT) equipment, buildings and infrastructure shall be based on standard specifications as defined by relevant specialised government departments.

3.8 Operation, Maintenance and Safeguarding

- 3.8.1 Each public sector entity shall annually prepare an Asset Management Strategy/Plan and Asset Operation and Maintenance Plan to guide all asset management processes. The main purpose of the Asset Operation and Maintenance Plan is to define how a public sector entity will ensure that the existing asset portfolio will be operated and maintained. The minimum information requirements for the Asset Management Plan are provided in the implementing procedures contained in chapter 5 of the Policy.
- 3.8.2 During the maintenance planning process every public sector entity shall assess the performance and condition of its assets. Asset performance relates to the ability of the asset to meet target levels of service, while condition reflects the physical condition of the asset. Key to this assessment is the information on financial, technical and operational performance of the asset over time. Such information must be supplemented with physical condition assessments. The main purpose of the condition assessments is to:-
- 3.8.2.1 identify any defects, deterioration and deficiencies, either currently affecting the performance of the asset or likely to impact on the asset over the planning period;
 - 3.8.2.2 identify the effect of the condition of an asset on service delivery ability;
 - 3.8.2.3 determine the maintenance required to return the asset to the state in which it would provide the most effective service; and
 - 3.8.2.4 estimate the cost of the identified maintenance activities.
- 3.8.3 Asset maintenance priorities shall only be determined and programmed for once the asset performance and condition assessments have been successfully completed.
- 3.8.4 Asset maintenance planning and the process of determining priorities shall consider the following factors:
- 3.8.4.1 Statutory requirements;
 - 3.8.4.2 Health, safety and environmental considerations; and

3.8.4.3 Financial and risk considerations

- 3.8.5 Public officers with the responsibility for assets shall operate and maintain those assets in accordance with the Asset Management Plans which shall be in line with the operational guidelines of the specific asset classes issued by the respective ministries responsible for the specific asset categories.
- 3.8.6 Accounting officers shall ensure that the assets within their control are appropriately maintained and safeguarded.
- 3.8.7 While Accounting Officers shall be ultimately responsible for all public assets within their control, individual public officers, as users shall be held accountable for the assets allocated to them in executing their functional roles and responsibilities.
- 3.8.8 Public officers shall comply with the reporting, reconciliation and verification requirements set out in the public asset management procedures.
- 3.8.9 The Ministry of Finance and Economic Development through the Director, Internal Audit shall annually undertake an asset verification process to establish and verify the existence of government assets. All public sector entities shall also undertake asset verification process once every year to verify and account for all assets under their control. The Office of the Auditor General may also undertake asset verification process at the time of auditing government accounts.

3.9 Disposals, Retirements and Other Asset Movements

- 3.9.1 All assets identified as redundant, obsolete or unserviceable shall be reported to the Accounting Officer who shall make an initial determination as to whether the asset should be sold, retired, or transferred.
- 3.9.2 Each public sector entity shall constitute an appropriate board of survey or the equivalent responsible for assessing and making final determination for asset disposal as well as their appropriate disposal methods.
- 3.9.3 Each public sector entity shall each fiscal year prepare a Disposal Plan as stipulated in the asset management procedures in chapter 5 of the Policy to guide all disposal, retirements and other asset movement processes.

3.9.4 All disposals, retirements and other asset movements shall be carried out in accordance with the Disposal Plan and the guidelines set out in the public asset management procedures.

3.10 Valuation, Accounting and Reporting

3.10.1 For purposes of aggregate fiscal reporting, all public assets shall be valued, accounted for and reported in accordance with the requirements stipulated in the financial instructions and the applicable accounting policies and procedures as determined by the Accountant General from time to time.

3.10.2 All Accounting Officers, as part of the routine performance reporting requirements shall prepare quarterly asset management performance reports based on the asset registers. The reports shall among other details include all asset types, new acquisitions, condition and attainment of performance measures, transfers and other movements, book values, disposals, risks etc.

3.10.3 A monthly reconciliation of the IFAR records shall be undertaken by all public sector entities to ensure that all assets purchased under either capital or current expenditure are reconciled to the asset register.

4 IMPLEMENTATION OF THE POLICY

4.1 Asset Management Plans

- 4.1.1 The implementation of asset management plans shall be monitored and reviewed by the Accounting Officer of every public sector entity to ensure compliance and accountability.
- 4.1.2 The asset management plan must define key asset performance measures, standards and indicators for monitoring and evaluating the implementation of the plan.
- 4.1.3 Every Accounting Officer shall annually in each asset management plan, report on the attainment of performance measures, standards and indicators contained in the previous plan.

4.2 Roles and Responsibilities

- 4.2.1 As provided for in Section 4 (2) (b) of the Public Finance Management Act, 2011, the Minister responsible for finance shall ultimately be responsible for effective and efficient utilisation of all public assets and shall issue relevant policies and guidelines for their effective management.
- 4.2.2 The Accounting Officer of a public sector entity shall ultimately be responsible for all processes associated with the utilisation of public assets under his/her control.
- 4.2.3 Every Accounting Officer shall ensure proper recording of public assets in an asset register and effective and efficient utilisation of such assets under his/her control.
- 4.2.4 Every Accounting Officer shall also be responsible for compilation of asset strategic plans, asset management strategies and plans and asset performance reporting for his/her institution. A copy of the asset management plan must be submitted to the relevant custodian where such assets are used by other government agencies.
- 4.2.5 Every Accounting Officer shall establish appropriate institutional arrangements and assign clear roles and responsibilities for various asset management processes. Such arrangements shall include establishment of a dedicated function for asset management.
- 4.2.6 Every Accounting Officer shall establish and implement appropriate processes and systems for assessing condition and performance of

assets and measure the effectiveness and efficiency of assets through various mechanisms including benchmarking, use of ratios, operating costs ratios, and return on investments.

- 4.2.7 All Public Officers shall exercise due care in utilising and managing assets assigned to their respective functions and shall be held solely accountable for such assets. Such assets shall solely be utilised for the furtherance of the government's public service delivery objectives.
- 4.2.8 Every Accounting Officer of a custodian of public assets not in his/her ownership shall be responsible for the compilation of a custodian asset management plan and take full responsibility for the management and effective and efficient utilisation of such assets throughout their life cycle. As a custodian of public assets, he/she shall be ultimately be accountable to the Accounting Officer of an entity under which such assets are owned and controlled.
- 4.2.9 All custodian of public assets shall establish appropriate communication and service level agreements with clear performance standards and cost of the management of such assets for which they are responsible. Custodians shall also establish appropriate processes for monitoring and assessing condition and performance of assets.

4.3 Responsibility and Institutional Arrangements

- 4.3.1 An Accounting Officer of any public sector entity shall be responsible for establishing appropriate institutional arrangements and issuing necessary operational procedures for implementing asset management processes within the ambit of this Public Asset Management Policy.
- 4.3.2 Each public sector entity shall establish a dedicated function responsible for implementation of all lifecycle asset management processes.
- 4.3.3 Each public sector entity shall within its institutional arrangements appoint a responsible officer who shall ensure compliance with this Policy.

4.4 Review of the Policy

- 4.4.1 This policy will be reviewed every five (5) years and as and when required, or as a result of revisions issued by the Permanent Secretary of the Ministry responsible for Finance.

5 PUBLIC ASSET MANAGEMENT PROCEDURES

The process and procedures of managing public assets within the Government of Botswana are set out in this section. These are not exhaustive, but should serve as the broad guidelines towards the implementation of an asset policy.

5.1 Asset Life Cycle

The life cycle of an asset covers the period during which the public sector entity intends to use the asset in furtherance of its delivery objectives. The life cycle encompasses all processes associated with the asset: planning; acquisition; operation and maintenance; safeguarding; and disposal.

5.2 Strategic and Operational Planning

5.2.1 Each public sector entity shall have an Asset Strategic Plan that links the ownership, operation and maintenance of assets to service delivery.

5.2.2 The Asset Strategic Plan shall cover the same period as the strategic plan, or equivalent of the public sector entity.

5.2.3 The Asset Strategic Plan shall be based on a needs analysis that:

5.2.3.1 is based on the strategic (or equivalent) and business (delivery) plans of the public sector entity ;

5.2.3.2 identifies the assets needed to support service delivery;

5.2.3.3 assesses whether existing assets are sufficient to meet those needs;

5.2.3.4 notes the operational efficiency and effectiveness of existing assets in terms of current condition, any backlog maintenance or renovation requirements;

5.2.3.5 identifies existing assets that are redundant, obsolete or otherwise surplus to requirements; and

5.2.3.6 analyses the need for additional or replacement assets.

5.2.4 The Asset Strategic Plan shall be operationalised in an asset management plan that shall include asset acquisition, asset operation and maintenance, and asset disposal.

5.3 Acquisition Planning

5.3.1 The asset acquisition plan shall be prepared annually in collaboration with specialised ministries or departments of the specific asset category. The specialised ministries shall validate the acquisition plans for specific asset categories and only those endorsed by the specialists shall form the asset acquisition plan of the entity.

5.3.2 The asset acquisition plan shall include:

5.3.2.1 An assessment of the full range of options for responding to the need for the asset – including purchase, leasing, construction, private sector involvement (public-private partnerships) or adapting existing assets;

5.3.2.2 An economic appraisal of each identified option, which shall be carried out in accordance with good practice appraisal guidelines;

5.3.2.3 A risk assessment associated with each of the options. The risk assessment shall be carried out in compliance with the Risk Management Policy and Framework. Risks associated with asset acquisition, operation and maintenance might include, but not be limited to:

- construction risk;
- demand risk;
- design risk;
- economic risk;
- environment risk;
- funding risk;
- maintenance risk;
- operational risk;
- procurement risk;
- residual value risk; and
- technology risk.

5.3.2.4 The economic appraisal shall include: pre-acquisition costs; procurement costs; the cost of the asset; the costs of any risk

mitigation; on-going operational costs (for example: fuel, power, or other recurrent costs such as operating licenses); where appropriate to the type of asset, the estimated maintenance costs for each year of the asset's expected useful economic life; any other costs associated with upgrades or cyclical refurbishments; and costs associated with disposal of the asset at the end of its expected useful economic life. Estimated costs might be analysed between fixed costs, variable costs, semi-variable costs and semi-fixed costs;

5.3.2.5 The appraisal shall, where appropriate, include a value of the benefits that will be derived from the asset (which might include, for example, savings in operational costs in the case of a replacement asset or the mechanization or computerization of processes; and

5.3.2.6 a recommended preferred acquisition route.

5.4 Funding and Budgeting Requirements

5.4.1 Public assets may be acquired through purchase, construction or donation.

5.4.2 The method of acquisition does not affect the need to apply the principles and procedures set out in the Public Asset Management Policy and Procedures.

5.4.3 Assets that are acquired through purchase, leasing, construction, private sector involvement (public-private partnerships) or adapting existing assets require funding for:

5.4.3.1 acquisition;

5.4.3.2 operation (where appropriate);

5.4.3.3 maintenance (where appropriate);

5.4.3.4 refurbishment, enhancement or upgrade (where appropriate to the class of asset); and

5.4.3.5 disposal.

5.4.4 Assets that are acquired through donation require funding for:

5.4.4.1 operation (where appropriate);

5.4.4.2 maintenance (where appropriate);

5.4.4.3 refurbishment, enhancement or upgrade (where appropriate to the class of asset); and

5.4.4.4 disposal.

5.4.5 The requirement for these funds shall be included in the asset acquisition plan and incorporated into the budget bids for the financial year.

5.5 Procurement

Assets shall be procured in accordance with applicable laws, rules and regulations, including but not limited to the requirements of the Supplies Instructions and Procedures, the PPAD Regulations and Standard Operating Policies and Procedures for Public Procurement.

5.6 Thresholds and Classification

Items shall be considered for classification as assets (see Table 1 below) only where their cost of acquisition exceeds the thresholds prescribed from time to time by the Office of the Accountant General and where their expected useful economic life exceeds one year within the ranges of useful economic life set out in the accounting policies of the respective asset classes (Table 2).

Table 1: Classification of Assets

Classification	IPSAS equivalent (or IFRS)	Description
Land	IPSAS 17	Land and any associated surface waters (reservoirs, lakes, rivers, and other inland waters), (excluding national parks and game reserves); landfill sites; recreational facilities (land only).
Land improvements	IPSAS 17	The result of actions that lead to major improvements in the quantity, quality, or productivity of land, or prevent its deterioration. Activities such as land reclamation, land clearance, land

Classification	IPSAS (or equivalent IFRS)	Description
		contouring, and creation of wells and watering holes that are integral to the land in question (excluding national parks and game reserves.)
Buildings dwellings	IPSAS 17	Buildings, or designated parts of buildings, mobile homes and caravans that are used entirely or primarily as residences (military and civilian), including any associated structures, such as garages, and all permanent fixtures customarily installed in residences.
Buildings other	IPSAS 17	Office buildings; warehouses; industrial and commercial buildings; nurseries and greenhouses; stadia; portable cabins; recreational facilities (built), oil storage facilities; abattoirs; cold rooms; milking parlors/processing plants; prisons; hospitals; schools.
Investment properties	IPSAS 16	Properties held to generate income.
Infrastructure assets	IPSAS 17	Road networks and street lighting; rail network; dams; sewage networks; electricity supply networks; airport infrastructure; silos; irrigation plant; water infrastructure; boreholes; drill/ oil rigs; pipelines; security fences; kraals.
Transport equipment	IPSAS 17	Motor vehicles (including tractors and trailers, buses, ferries and boats, specialised vehicles, heavy duty trucks, but <i>excluding military vehicles used as part of weapons systems</i>), front end loaders; aircraft (planes and helicopters <i>excluding military aircraft</i>).
Information, Computer and Telecommunications (ICT)	IPSAS 17	Computer hardware and operations software; ICT networks; telecommunications equipment.
Other plant and machinery	IPSAS 17	Plant; laboratory equipment, mobile containers, emergency equipment, lifts, specialised meteorological equipment, specialised medical equipment, animal

Classification	IPSAS (or equivalent IFRS)	Description
		cages, farming equipment, geological equipment, machinery, chillers, boilers, graders, rollers.
Office furniture, fixtures and fittings	IPSAS 17	Office equipment, furniture and fittings.
Weapons systems	IPSAS 17	Military vehicles and other equipment that are part of weapons systems, including military aircraft, tanks, missile carriers and launchers, etc.
Other military equipment	IPSAS 17	Machinery and equipment acquired for military purposes other than weapons systems.
Heritage assets	IPSAS 17	Heritage buildings and monuments, national collections and art works.
Biological assets - animals	IPSAS 27	Breeding stocks, dairy cattle, draft animals, sheep, or other animals used for wool production, animals used for transportation, racing, or entertainment, aquatic resources yielding repeat products and biological produce from cultivated (farmed) animals.
Biological assets – plants	IPSAS 27	Trees (including vines and shrubs) cultivated for fruits and nuts, for sap and resin, and for bark and leaf products. Cultivated produce from the cultivated plants.
National parks and game reserves	IPSAS 17	Land and land improvements; hides, hatcheries; Animals in national parks and game reserves

Table 2: Ranges of Expected Useful Economic Life

Classification	Expected useful economic life (in years)
Land	n/a
Land improvements	10-50
Buildings – dwellings	50-60

Classification	Expected useful economic life (in years)
Buildings – other	50-60
Investment properties	10-50
Infrastructure assets	10-50
Transport equipment	5-30
Information, Computer and Telecommunications (ICT)	5-15
Other plant and machinery	10-15
Office furniture, fixtures and fittings	5-10
Weapons systems	5-55
Other military equipment	5-55
Heritage assets	2-indefinite
Biological assets - animals	5-20
Biological assets - plants	5-20
National parks and game reserves	n/a

5.7 Recording and Verification

The information in Table 3 shall be provided for each asset in the asset management system, as applicable.

Table 3: Information to be recorded in the Fixed Asset Register

a) Date of acquisition
b) Cost
c) Asset description (individual or grouped asset) including technical description
d) Asset quantity (if included in an asset group)
e) Asset classification
f) Unique identifier (IFAR number) of individual or grouped asset
g) Asset owner/operator
h) Asset location (Ministry, department, division, sub-division, place)

- i) Asset condition rating
- j) Asset utilization rating
- k) Program criticality rating
- l) Performance rating
- m) Lifecycle operating and maintenance cost
- n) Expected useful economic life (see Table 2)
- o) Expected residual value
- p) Depreciation methodology
- q) Accumulated depreciation
- r) Current value
- s) Valuation basis
- t) Replacement cost
- u) Revaluation adjustment details
- v) Impairment adjustment details

5.7.1 The information contained in the IFAR (or equivalent) shall be reconciled monthly to the General Ledger as part of the month closing procedures.

5.7.2 The information contained in the IFAR (or equivalent) shall be verified periodically, and at least annually, to provide assurance to the Accounting Officer that the asset remains in the custody of the designated public officer in the correct location and is in a condition to continue to provide efficient and effective service delivery.

5.7.3 A record of the verification checks shall be maintained for inspection by management, internal audit and external audit.

5.7.4 Where the condition of the asset has deteriorated beyond that expected at that stage of its expected useful economic life, the responsible officer shall provide a written explanation to the Accounting officer, of the causes of that deterioration and the recommended action – renovation, retirement or disposal, or no action required – together with the reasons for the recommendation.

5.8 Accounting and Reporting

5.8.1 Recognition

Assets shall be recognized in accordance with the classifications, thresholds and expected useful economic lives as set out in paragraph 5.6 of these Procedures.

5.8.2 Initial Measurement

On initial recognition, assets shall be measured at the cost of acquisition or, where that cost is not available, at valuation (the deemed cost) using the methodologies set out in Table 4.

5.8.3 Subsequent Measurement

5.8.3.1 Assets shall be measured in subsequent years at valuation using the methodologies set out in Table 4.

5.8.3.2 Revaluations shall be carried out, at least, with the frequency shown in Table 4 but more frequently if market observations or annual impairment reviews suggest that the carrying amount of the asset differs materially from the carrying amount that would be determined at the reporting date using the valuation methodology indicated.

Table 4: Valuation methodologies

Classification	IPSAS (or equivalent IFRS)	Valuation methodology	Minimal frequency of revaluations
Land	IPSAS 17	Market value	5 years
Land improvements	IPSAS 17	Market value	5 years
Buildings – dwellings	IPSAS 17	Market value	5 years
Buildings – other	IPSAS 17	Market value	5 years
Investment properties	IPSAS 16	Market value with the exception of specialised buildings (prisons, hospitals, schools, and parts of Embassies or High Commissions) which will be valued using Depreciated Replacement	5 years

Classification	IPSAS (or equivalent IFRS)	Valuation methodology	Minimal frequency of revaluations
		Cost	
Infrastructure assets	IPSAS 17	Depreciated Replacement Cost	5 years
Transport equipment	IPSAS 17	Market value with the exception of any specialised vehicles which will be valued using Depreciated Replacement Cost.	3 years
Information, Computer and Telecommunications	IPSAS 17	Market value	2 years
Other plant and machinery	IPSAS 17	Market value	3 years
Office furniture, fixtures and fittings	IPSAS 17	Market value	5 years
Weapons systems	IPSAS 17	Depreciated Replacement Cost	5 years
Other military equipment	IPSAS 17	Depreciated Replacement Cost unless there is an active market in the equipment when market value shall be used.	3 years
Heritage assets	IPSAS 17	Historical cost or market value where possible	Annually for assets held at market value
Biological assets – animals	IPSAS 27	Market value less costs to sell	Annual
Biological assets – plants	IPSAS 27	Market value less costs to sell	Annual
National Parks and Game Reserves	IPSAS 17	Market value	5 years
Assets held for sale	No IPSAS (IFRS 5)	Market value	Not applicable

5.9 Depreciation and Impairment

5.9.1 Depreciation calculations are automated within the IFAR or equivalent asset register.

5.9.2 Annual impairment shall be carried out in accordance with the impairment requirements in the relevant accounting standards.

5.10 Disclosure

Sufficient detail shall be maintained in the IFAR or equivalent asset register or, where necessary, be available in such other format as may be necessary, to meet at least the minimum disclosure requirements of the relevant accounting standard.

5.11 Operation, Maintenance Planning and Safeguarding

5.11.1 The asset operation and maintenance plan shall be prepared annually, and be derived from the asset acquisition plan.

5.11.2 The asset operation and maintenance plan shall include:

5.11.2.1 An assessment of the condition of existing assets and any backlog maintenance or renovation or refurbishment required (the condition survey);

5.11.2.2 A schedule of maintenance work (where appropriate – not all assets will require routine maintenance) which shall: (a) agree with the expected maintenance schedule set out in the acquisition plan; and (b) incorporate any additional maintenance, renovation or refurbishment work identified as part of the condition survey, together with estimated costs;

5.11.2.3 Prioritisation of planned maintenance work in terms of statutory requirements, health, safety and environmental considerations, and financial and risk considerations;

5.11.2.4 Any specific or critical factors that might affect the efficient and effective operation of an asset (for example, the need for specialist operators or the need for uninterrupted power supplies);

5.11.2.5 Any requirements for specific spare parts or other items that are required to be held as inventories.

5.11.3 Each asset shall be assigned to the ownership of a public officer who shall be responsible for ensuring the safeguarding of the asset as well as proper maintenance in accordance with the operation and maintenance plan.

5.12 Disposal Planning

The disposal plan shall be prepared annually in accordance with applicable regulatory requirements.

5.13 Disposals

5.13.1 Assets shall be disposed off in the event that an asset:

5.13.1.1 is no longer required for service delivery; or

5.13.1.2 is no longer serviceable; or

5.13.1.3 has reached the end of its useful life.

5.13.2 An asset may be disposed off by:

5.13.2.1 sale, when the asset is no longer required;

5.13.2.2 transfer, where the asset might be used by another public sector entity, either with or without adaptation;

5.13.2.3 scrapping, where there is no prospect of sale or transfer; or

5.13.2.4 any other method approved by the Public Procurement and Asset Disposal Board.

5.13.3 All asset disposals shall realize the maximum value for the Government of Botswana.

5.13.4 All assets that are scrapped shall be scrapped in accordance with any applicable regulatory (for example, environmental) requirements.

5.14 Reclassification and Retirements

- 5.14.1 Once an asset has been approved for disposal by sale and is being actively marketed for sale, it shall be retired from the IFAR or equivalent fixed asset register (with appropriate accounting adjustments made in the General Ledger) and reclassified as an Asset held for Sale and valued at market value.
- 5.14.2 Assets disposed off by transfer or scrapping shall be retired from the IFAR or equivalent fixed asset register at the time of disposal.

5.15 Losses and Write-offs

Where an asset is retired due to loss, or scrapped due to irreparability through damage (whether through accident or otherwise), the procedures set out in the Financial Instructions shall be followed.

5.16 Management Reporting

The officer responsible for compliance with the Public Asset Management Policy and Procedures in the public sector entity shall prepare quarterly management reports on performance against all aspects of the asset management plan and provide explanations for any variations in progress on acquiring, maintaining or disposing of assets as set out in the plan, together with the delivery and financial implications of any variations.

6 REGULATORY FRAMEWORK GOVERNING THE POLICY

Public assets are managed within the regulatory framework comprising the Public Finance Management Act, Public Procurement and Asset Disposal Act (PPAD Act), Local Authorities Procurement and Asset Disposal Act, and any relevant regulations made thereunder, and any policies, instructions or other procedures issued by, or under the authority of, the Minister responsible for Finance. In applying this policy, officers shall not contravene the State Land Act and Tribal Land Act.

7 ENFORCEMENT OF THE POLICY

Any public officer who shall not comply with the Public Asset Management Policy and Procedures shall be dealt with in accordance with relevant sanctions provided for in the Public Finance Management Act, and supporting Financial Regulations, and the Public Service Act.

8 EFFECTIVE DATE

The Public Asset Management Policy comes into force with effect from the date of publication.

Annex A

Glossary of Terms

“Accounting standards”: International Public Sector Accounting Standards (IPSAS) or International Financial Reporting Standards (IFRS and IAS) as appropriate to the public sector entity.

“Accrual basis”: The method of keeping accounts which shows all expenses incurred and income earned for a given period of time, even though such expenses and income may not actually have been paid or received in cash during the same period of time.

“Asset”: a resource controlled by a public sector entity as a result of past events and from which a future economic benefit or service potential is expected to accrue to the public sector entity.

“Asset life cycle”: the life of an asset, from the establishment of the need, through to its acquisition, operation and any maintenance or upgrading, to its disposal.

“Carrying amount”: the amount at which an asset is recognized in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses from the cost or valuation and adding any revaluation gains.

“Chart of accounts”: the structure of the ledger of a public sector entity that represents the framework upon which the ledger and associated management reports are based.

“Construction risk”: the risk that the construction of physical assets is not completed on time, budget, and to specification.

“Control of an asset”: the ability of a public sector entity to:

- (a) benefit from the asset in pursuing its objectives;
- (b) deny or regulate the access of others to that asset and its benefit; and
- (c) Secure the service potential or the future economic benefit of the asset.

“Cost of an asset”: comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use, less any trade discounts and rebates.

“Demand risk”: the risk that demand for a service does not match the levels planned, projected or assumed.

“Depreciation”: accounting process of allocating in a systematic manner the cost or other basic value of a tangible, long-lived asset or group of assets over the useful life of the asset.

“Design risk”: the risk that design cannot deliver the services at the required performance or quality standards.

“Depreciable amount”: the historical cost of an asset less the estimated residual value.

“Depreciable assets”: assets that

- (a) are expected to be used during more than one accounting period;
- (b) have a limited useful life; and
- (c) are held for use in production, supply of goods and services, for rental or administrative purposes

“Depreciated Replacement Cost”: a valuation approach that indicates value by calculating the current replacement cost of an asset less deductions for functional obsolescence, economic obsolescence, external obsolescence and physical obsolescence.

“Economic obsolescence”: a loss of utility caused by factors external to the asset, especially factors related to changes in supply or demand for products produced by the asset, or related to changes in service potential, that results in a loss of value (see also Depreciated Replacement Cost).

“Economic risk”: where the project outcomes are sensitive to economic influences. For example, where actual inflation differs from assumed inflation rates

“Environment risk”: where the nature of the project has a major impact on its adjacent area and there is a strong likelihood of objection from, or impact on, the general public.

“External obsolescence”: a loss of utility caused by economic or locational factors external to the asset that results in a loss of value (see also Depreciated Replacement Cost).

“Finance lease”: a lease that substantially transfers all the risks and rewards incidental to ownership of the leased asset from the lesser to the lessee, without

transferring the legal ownership, whether title to the asset is eventually transferred or not.

“Financial statements”:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A cash flow statement;
- (d) A comparison of budget and actual amounts;
- (e) Any other statements that may be prescribed; and
- (f) Any notes to these statements.

“Functional obsolescence”: a loss of utility resulting from inefficiencies in an asset compared to its replacement that results in a loss of value (see also Depreciated Replacement Cost).

“Funding risk”: where project delays or changes in scope occur as a result of the availability of funding.

“Impairment”: a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation or amortization.

“Lease”: an agreement that conveys the right to use an asset, usually for a specified duration, and for an agreed payment or series of payments and may be either a finance lease or an operating lease.

“Life cycle costing”: the full cost of an asset over its life, and includes all costs associated with acquiring, controlling, operating and disposing of the asset

“Maintenance risk”: the risk that the costs of keeping the assets in good condition vary from budget.

“Market value”: the estimated amount obtainable from the sale of an asset in an arm’s length transaction in an active market between a willing, knowledgeable buyer, and a willing, knowledgeable seller.

“Minister”: Minister of the ministry responsible for finance

“Net realizable value”: the current market value of an asset, less all costs to dispose or re-deploy it.

“Operating lease”: a lease, other than a finance lease, where the risks and benefits incidental to ownership are not substantially transferred to the lessee.

“Operational risk”: the risk that operating costs vary from budget, that performance standards slip or that the service cannot be provided.

“Physical obsolescence”: a loss of utility due to the physical deterioration of the asset or its components resulting from its age and normal usage that results in a loss of value (see also Depreciated Replacement Cost).

“Procurement risk”: where a contractor is engaged, risk can arise from the contract between the two parties, the capabilities of the contractor, and when a dispute occurs.

“Public sector entity”: an entity within Central Government, a Public Corporation, or a Local Authority.

“Residual value”: the net market value or recoverable value, which is, or is expected to be, realized from the disposal of an asset at the end of its life, after deducting the cost or expected costs of disposal.

“Residual value risk”: the risk relating to the uncertainty of the value of physical assets at the end of the contract, or at the end of the expected useful life of the asset.

“Revaluation”: the recording of an increase in the carrying value of an asset, to be reflected in a public sector entity’s financial statements.

“Risk management”: the management technique used to identify and analyze potential risks, and to implement appropriate responses.

“Standard chart of accounts”: a list of accounts that an accounting system tracks, which is divided into the following five categories:

- (a) assets;
- (b) liabilities;
- (c) net assets/net equity;
- (d) revenue; and
- (e) expenditure.

“Technology risk”: the risk that changes in technology result in services being provided using non-optimal technology.

“Useful economic life”: the period over which a depreciable asset is expected to be used by the public sector entity.