

**An evaluation of asset management compliance in the national office of the
Department of Justice and Constitutional Development**

By:

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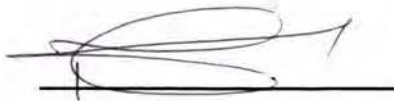
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Declaration

I, **Toto Ramoithui Nathaniel Matshediso** declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master in Business Administration (MBA) in the North West University Graduate School of Business and Government Leadership. This work has not been submitted for any examination or qualification to any other university. I further confirm that I have received written approval to conduct this research.

Signed:



Date:

28 March 2014

Abstract

The study was aimed to evaluate compliance to the management of assets in the National Office of the Department of Justice and Constitutional Development in Pretoria. Since moveable asset management is still an unfamiliar concept in South African public sector, not much research has been done in this field. From the problem statement, it was evident that asset management is indeed a subject within the department that needs attention. Literature review on the study was conducted and most sources highlighted the evolution of asset management in the public sector and comparison was made to the current study and asset management concepts were also analysed.

The methodology followed in the study was of a descriptive quantitative research design and data were collected by means of questionnaires and presented in the form of tables. One hundred and fifty questionnaires were randomly distributed in both offices of the national office of the Department of Justice and Constitutional Development. From the total questionnaires distributed only 130 were received back and sorted, coded and analyzed using the Statistical Package for the Social Sciences (SPSS) version 21, with frequency count, percentages, correlation and multiple regression. Demographic results showed female dominance over males in terms of number of respondents (45.4% males and 54.6% were females). Most respondents (45%) were on the ages of 30-39 which is the most active age in the society. The office has 39.2% staff as clerical/admin. Supervisors also reflect a 29%, management 17.7% and executive management 9.2%. About 89% of staff is aware that there is a supply chain management policy. A relatively high percentage of respondents (74.6%) knew about the department's asset management policy; a notable 63.1% of the respondents did not attend any training on supply chain/asset management policy while only 33% of staff members did attend a related training

The results also show that there is a significant relationship between compliance with asset management and knowledge by employee ($r = 0.34$, $p < 0.05$); knowledge by managers ($r = 0.28$, $p < 0.05$); awareness of asset management objectives ($r = 0.68$, $p < 0.05$) and awareness of asset management guidelines ($r = 0.67$, $p < 0.05$). This

shows that compliance to asset management is positively correlated to knowledge and awareness of asset management by employees and managers.

The results further show that independent variables were significantly related to the compliance with asset management principles and guidelines. The F value of 18.33 shows a strong relationship between the independent variables and compliance with asset management principles and guidelines. Which implies that the model is well fit and adequate. The significant determinants are aware of asset management objectives ($t = 6.258, p < 0.05$); awareness of guidelines ($t = 5.77, p < 0.05$); age ($t = 1.96, p < 0.05$) and types of employment ($t = 2.07, p < 0.05$). This implies that as the awareness of asset management objective and guidelines, age of respondents and types of employment increases compliance with asset management principles and guidelines will also increase.

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List of Acronyms

AM - Asset Management

BAS - Basic Accounting System

CFO - Chief Financial Officer

DG – Director General

DOJ & CD - Department of Justice and Constitutional Development

EWRM - Enterprise-Wide Risk Management

JYP - Justice Yellow Pages

KPA - Key Performance Area

MTEF - Medium-Term Expenditure Framework

MTSF- Medium-Term Strategic Framework

PFMA - Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999

PPPFA - Preferential Procurement Policy Framework Act 5 of 2000

SCM Supply Chain Management

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CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

This chapter introduces the study and provides an outline of its objectives. It is in this chapter where the aims and objectives of the study are revealed. The actual problem which triggers this study is also stated. The problem statement is developed based on the previous events and prescribed frameworks. Research questions are developed as well as the design of the study.

1.2 Background

The introduction of the concept of an integrated Supply Chain Management (SCM) system for government is considered by National Treasury as contributing significantly towards the improvement of financial management in the broader public sector (National treasury, 2004:17). In the public sector, the concept of asset management represents a large amount of money and physical assets that managers have to manage according to guiding principles and policies. Public scepticism of government, combined with an increasing preference in recent years for using private-sector management approaches in the public sector, has led to demands that government be more accountable and operates more like a private sector. Asset management, broadly defined, refers to any system that monitors and maintains things of value to an entity or group. It may apply to both tangible assets such as buildings and to intangible concepts such as intellectual property and goodwill. This study focuses is on movable assets in the National Office of the Department of Justice and Constitutional Development. The aim is to establish any defects, good practices or lessons that can be learned from the management practices. Asset Management as a concept was previously overlooked in the government sector until the introduction of the Public Finance Management Act, (PFMA) Act 1 of 1999, as amended.

1.3 Objectives of the study

The objectives of the study were to evaluate compliance to the management of assets in the national office of the Department of Justice and Constitutional Development in Pretoria, South Africa. Compliance to the Public Finance Management Act No 1 of 1999 (PFMA) as amended was evaluated with a view to table ways and means to improve the management of departmental assets. Asset management forms part of the provisioning administration system which is called Supply Chain Management. This is also one area that influences the performance of government service delivery. The concept of Supply Chain Management is guided by the Public Finance Management Act, (PFMA) Act 1 of 1999, as amended.

The central aim of the study was to evaluate compliance with asset management prescripts and the overall public finance frameworks. The study was specifically aimed to;

- To evaluate the workers' level of awareness to the asset management concepts and procedures in the department.
- To explore the workers' understanding of the response to expectations on asset management.
- To determine the management knowledge and understanding of the guiding principles and importance of asset management compliance.
- To assess commitment of the department to asset management objectives and principles.

1.4 Research Questions

The questions that arise from the study are the following:

- Are the employees of the department aware and conversant with the processes and expectations with regard to asset management?
- Do employees understand the response to expectations on asset management?
- Does management have knowledge and understanding of the guiding principles and importance of asset management compliance?
- Is the department committed to asset management objectives and principles?

1.6 Problem Statement

The study was motivated by the fact that the department had for the past several years challenges and even received qualified reports from the Auditor General on management and accountability of assets. This to a large extent open risks associated with the management of assets in the department.

The Public Finance Management Act section 38(1) states that: "The accounting officer for a department, entity or constitutional institution:

- Is responsible for the effective , efficient, economical and transparent use of the resources of the department; and
- Is responsible for the management, including the safeguarding and maintenance of the assets, and for the management of the liabilities of the department, trading entity or constitutional institution."

According to Geldenhuys (2010:174) the head of the department must accept the fact that he/she is responsible and accountable for the financial administration in the department.

With the recent years of improving service delivery in the South African government post 1994, most departments have increased overheads and as a result the number of assets has also increased. This led to more management needs for the moveable assets in the department. Since asset management is a relatively new concept in the public sector, compliance thereof is not as efficient as it is in the private sector due to various reasons including operating within the Public Finance Management Act 1 of 1999.

The National Office of the Department of Justice and Constitutional Development was no exception to problems in the management of assets. There are crosscutting areas in most instances; however, the department has also its unique challenges. These are some of the identified challenges:

- There has been a failure to maintain an updated manual and electronic asset registers.
- Lack of insurance to cover assets like vehicles and expensive equipment.
- Inadequate asset management system.

- Assets purchased in bulk and recorded as such on the registers resulting in omission of assets in the register.
- Possible theft of state property.
- Lack of electronic asset identification and tracking system.
- Compliance to policies and guidelines with respect to depreciation of assets.
- To measure the effectiveness of the Justice Yellow Pages (JYP) asset register and its interface with the basic accounting system (BAS).

While the PFMA aims to secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of the government institutions, it has become imperative to fully analyse the problem as reported in the audit and annual reports of the department.

According to section 38(d) of the PFMA (South Africa, 1999), the accounting officer is responsible for the management, including safeguarding and maintenance, of assets, as well as the management of liabilities. It is thus the general responsibility of the Chief Financial Officer to carry out this responsibility on behalf of the accounting officer as prescribed on part 2 of chapter 5 in the PFMA (South Africa, 1999). According to section 45 of the PFMA (South Africa, 1999), other officials are responsible for the management of the liabilities within such an official's area of responsibility. The Director General (DG) is thus charged with the responsibility of ensuring that all assets are well taken care of and accounted for. Since there are costs involved in the purchasing, maintenance, replacement and disposal of assets, it becomes imperative to critically evaluate the compliance of the national office to the asset management guidelines.

The current status of asset management and the effect of the current systems in the department have been some of the areas of focus in the past recent audits. In the Auditor General's reports of 2006 to 2012 financial years, some common areas of non-compliance were raised. The departmental annual report for the year 2006/2007 mentions that the update of the moveable assets received more attention. This is because the department appointed more asset controllers in the national office to deal with the problem. The report of the Auditor General for the year 2007/2008 also

qualifies the department with the note that the Accounting Officer has not complied with the prescripts of section 38 (1) (d) of the PFMA by stating that the department has not maintained an adequate asset register to record minor assets enabling the safeguarding and maintenance of these assets. For these reasons, the Auditor General could not confirm the completeness, existence of assets and accuracy of the closing balance of the assets as disclosed in the annual financial statements of the department.

To rectify this, the department embarked on asset turnaround strategy in the form of quarterly asset verification. However it still could not be proven during the 2008/2009 audits as more unverified assets could still not be valued. The reasons for this are that firstly the asset register was not fully updated with all additions for the year. Again, some assets were not matching the bar codes they were allocated to. It was also reported that the asset register that agrees to tangible capital assets could not be contained. The department is using a procurement system called Justice Yellow Pages (JYP) whereby the asset register is contained. The findings were that the JYP could not interface with the main financial system in order to obtain the current value and status of the asset verified.

It was reported by the Auditor General that the adjustments to the opening balance were based on an asset count performed only in the regions with less or no mention on the National Office. Therefore, the asset count was not sufficient, as the existence of the assets in the regions could not in all instances be verified and asset could not in all instances be traced to the asset register.

In the annual report of 2009/2010 the department stated that it had embarked on an asset management turnaround project. The report further states that the project started in 2006/2007 and is on a continuous basis. The project yielded good results in the financial year that ended 31 March 2010 with a better report after a full verification of all assets.

In a quest to rectify the qualification, the department reported in the 2010/11 annual report that four objectives have been developed to deal with asset management challenges which were to:

- Establish decentralised/user ownership for assets (court and regional responsibility).
- Ensure that all assets purchased, maintained, disposed and/or replaced are accounted for in the schedules of assets.
- Ensure the department's asset register is updated accordingly, and reflects the actual status of assets in the department.
- Ensure the department's asset register reconciles with the financial statements.

The Department of Justice and Constitutional Development in Pretoria, South Africa Annual Report (2011/2012:97) stated that: "Proper control systems to safeguard and maintain assets were not implemented as required (by section 38(1) d of the PFMA and Treasury Regulation 10.1.1(a)."

There has also been a challenge of uncorrected migration errors since 2004/05 that have not been corrected besides that the department has a pool of financial managers to deal with the issue with the assistance of consultants the department has been employing on a yearly basis in the area of asset management. This has resulted in a sequence of qualified audits on asset management. The national office as the custodian of the whole departmental asset management function has to ensure that the errors are corrected. The fact that there is no interface between the Justice Yellow Pages (JYP) and Basic Accounting System (BAS) could be one of the underlying factors to this problem.

It was mentioned in the report that some of the assets were duplicated during the process thus increasing unverified ones. These are some of the exceptions the department received that resulted in audit qualification on asset management over the past years. Moreover, most areas of concern were similar over the mentioned years. This will for obvious reasons call for concern from all stakeholders concerned including the public itself. Without proper management of the government assets, objectives as set out in the departmental strategic goals will not be achieved.

Less impact has been realised as a convincing accountability could still not be seen. With the latter effort by the department, it is evident that there might be problems that

exist within the department with regard to management of assets and accountability thereof. Since assets also in terms of accountability will reflect the financial position of the institution, it is critical to analyse the impact of the situation as per Auditor General's reports and the annual performance reports of the department with specific reference to budget and expenditure within a specific period.

1.7 Research Design

In this study, a description research design was used. According to Bless and Higson-Smith (1995:69), research design is the planning of a scientific research from the first to the last step. It is a programme to guide the researcher in collecting, analysing and interpreting observed facts. Research design can also be defined as a specification of the most adequate operations to be performed in order to test a specific hypothesis or to answer a research question. Research design expresses both the structure of the problem, the framework, organisation or configuration of the relationships among variables of a study and the plan of investigation used to obtain empirical evidence on those relationships.

The study was conducted at National Office of Department of Justice and Constitutional Development in Pretoria. Primary data collection method was by self-administered questionnaires.

1.8 Layout of the study

The study is structured into five chapters as described below:

Chapter One provides the general background information to the study covering the objectives of the study, problem statement, the objectives and design of the study.

Chapter two presents the theoretical description and empirical literature in the management of assets in the government sector, with specific reference to the study objectives outlined. It also presents the concept of asset management including the principles and asset management plan.

Chapter three focuses on the research methodology utilized to carry out the study including the site of the study and units of analysis, the study sample and selection

procedures, data collection techniques, data analysis methods, ethical issues and limitations of the study.

Chapter four presents the results of the study. It comprises an analysis of the data. It also provides an interpretation of the results with relevance to existing studies and an explanation of the most and least prominent variables of the methodology, a link between different interpretations, challenges and opportunities with regard to public sector asset management.

Chapter five presents a summary of the findings; it is where they are discussed, and conclusions drawn guided by the study problem statement and objectives. Chapter five also makes recommendations and highlights opportunities for supportive policies to promote the management of assets in the National Office of Department of Justice and Constitutional Development in Pretoria. The result may also serve as an entry to improve asset management in the other seven hundred and fifty sites of the department.

1.9 Chapter Summary

The study was introduced and its significance was justified in this chapter. The chapter has covered a range of issues emanating from the basic problem identified. The study covered one of the most critical areas in the corporate services in the department and the results thereof will be used to the best advantage of the department. It is in this chapter where a guideline and lead was drawn into investigation whether the department is able to account for and correctly manage the assets at its disposal. Also contrary finding may be reached at where the department may be proven not to have capacity or skills to manage its assets properly.

It becomes evident that this study will help asset compliance management of the department and add value to its performance with relation to the Medium Term Strategic Framework (MTSF). However, it becomes very indispensable in a study of this nature to refer to what other authors have to say on management of government assets. Existing research conducted by academics and other institutions have identified similar challenges as projected in this study hence the next chapter on literature review.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter the issues covered in the literature review are definitions of asset management by different authors, asset register and asset management framework. It is in this chapter where principles of asset management are described. The chapter also looks at different literature review and explanations of different concepts of asset management. Studies in South Africa concerning moveable asset management in the public sector are extremely rare. This is thus a challenge that the study seeks to fill by evaluating the asset management compliance in the National Office of the Department of Justice and Constitutional Development.

2.2 Asset management

Woodhouse (2007) states that asset management reveals some fundamental differences in interpretation and usage. There are three distinct families of common current use of the term. The financial sector has long used the phrase to describe the management of a stock or investment portfolio – trying to find the best mix of capital security/growth and interest rates/yield.

- Equipment maintainers and software vendors have also adopted the name in an attempt to gain greater credibility and 'voice' for their activities. As 'maintenance' has for so long been treated as a necessary evil and low on the budgeting priority list, perhaps calling it 'Asset Management' instead will raise awareness on the corporate agenda? 'Asset Management' becomes, therefore, a more sellable way of saying 'better and more business-focussed maintenance'.
- Many infrastructure or plant owners and operators have adopted 'Asset Management' to describe their core role in life – both caring for, and making best sustained use of, physical plant, infrastructure and its associated facilities.

- Optimised, integrated asset management constitutes the basis for the significant performance improvement opportunity available to almost every company in every industrial sector. If the scope is broadened to describe not just physical assets, but any core, owned elements of significant value to the company (such as good reputation, licenses, workforce capabilities, experience and knowledge, data, intellectual property etc), then the optimised, integrated asset management represents the sustained best mix of asset care (i.e. maintenance & risk management) and Asset exploitation (i.e. use of the asset to achieve some corporate objective or performance benefit) This combination of exploitation and care must also consider time horizons – and be optimised over the whole life cycle – so it includes original investments and ultimate disposals.

Axby and Tarzey (2006:1) is of a view that there are many benefits that derive from good asset management, but the major financial benefit is prolonged asset lifetimes - a more robust infrastructure running at a lower cost. In addition good asset management can improve customer service without increasing cost, and avoid regulatory intervention if service is not the standard required. This indicates that proper and efficient maintenance of asset can provide organisation with financial benefits on asset management expenditure. Fulton, Gaul and Raychaudhuri (2010:1543) in Woodhouse (2007) state that asset management problem has been exacerbated by the plethora of systems and devices and brief life cycle today.

2.3 Definitions of Asset Management

Definition of asset according to Stephenson, Barta and Manson (2001) means service potential or future common benefit controlled by the entity as a result of past transaction or other past events. They further define asset management as the integration of asset utilisation and performance with the broader business requirements of those for whom it is intended to serve. It includes consideration of procurement, ongoing support, rehabilitation and disposal and the markets the asset is intended to serve.

Asset management can be defined as: "A continuous process-improvement strategy for improving the availability, safety, reliability and longevity of assets; that is systems, facilities, equipment and processes" (Jim, 2007). It is an emerging discipline which has been acknowledged as a crucial tool in defining and establishing more efficient and effective organizations. It is important not only for private organizations, but also for government at both the central and at local level.

Wittwer, Bittner and Kasprzak (2003:2) define asset management as an emerging set of tools that can help managers of transportation facilities make better maintenance and investment decisions.

Galusha (2001:37) is also in agreement that asset management is a combination of tools and processes that proactively manage a company's entire asset base from a cost, contractual, support, and inventory viewpoint.

Vanier (2001:5) defines asset management as a business process and a decision making framework that covers an extended time horizon, draws from economic as well as engineering, and considers a broad range of assets. The asset management approach incorporates the economic assessment of tradeoffs among alternative investment options and use this information to help make cost effective investment decisions. Peterson (2004:1) states that asset management is a global management process through which we consistently make and execute the highest value decisions about the use and care of our assets.

2.4 Asset Register

Stephenson, Barta and Manson (2001:39) define asset register as a record of items considered worthy of identification as discrete assets, including information such as construction and technical details about each. It is further defined as a database that contains all the relevant information on all the infrastructure assets owned by the organisation, and it is on this database that the entire asset management plan depends.

The asset register provides the asset database which details a record of the figures to be included in the financial statement. It includes information on asset purchase prices, asset condition and expected life. All assets should be recorded in the asset

register regardless of the functioning source. It should not contain non-financial data on acquisition, department, accountability, and performance and disposal.

In its simplest form an asset register is just a list of the entire asset owned by an organisation. For the list of asset to be useful, it has to contain enough information on each asset so that the asset can be effectively managed. Some of the information that should be contained in asset register is given below (Asset Management in the South Africa Water Service Industry, 5-6):

- Each asset must have a unique name that clearly identifies the asset throughout the entire organisation.
- There should be a basic set of data that is the same for all the assets within the organisation, such as the location, age and assessments of value, performance, condition and risk
- The register should also record for each asset any information over and above the basic set of data that is necessary to effectively manage the asset. This would also include regular monitoring information such as when the asset was last serviced, or how much it has been used.

2.5 Assets Management Framework

According to Brown and Humphrey (2005:41), asset management is about process, instead of a hierarchical organisation, where decisions and budget follow the chain of command into functional silos. Asset management is a single process that links asset owners, asset managers and asset service providers in a manner that allows all spending decisions to be aligned with corporate objectives supported by asset data.

In addition the asset owner sets the business values, corporate strategy and corporate objectives in terms to cost, performance and risks. The asset manager identifies the best way to achieve these objectives and articulates this in multi-year asset plan. Lastly, the service provider executes the plan in an efficient manner and feeds back asset and performance data into the asset management process (Brown and Humphrey, 2005:36).

Mohseni (2003:962) stipulates that asset management is really a matter of understanding the risks first followed by developing and applying the correct business strategy and the right asset model to solve the problem, all supported and delivered by the organisation, process and technology.

Asset management assist government through agencies to meet desired outcomes effectively and efficiently by making the best possible use of existing assets, maximising value for money when investing in new assets and making decisions to invest in, retain or divest assets that take into consideration and protect the needs of current and future generations. Furthermore, the key objectives of the strategic asset management framework are to integrate the Government's assets management policies and make them more accessible and to make stronger links between planning assets needs and implementing asset decisions. The framework document outlines the major components of assets management, and shows the broad relationship between them.

2.6 Supply Chain Management

The value added by each asset is based on its value to the supply chain, when the asset is properly introduced and managed to provide ultimate customer satisfaction, and recurring contracting purchases. The information network provides the critical knowledge to participate as a key component of the supply chain without losing customers to substitute as provided by parallel supply chains. This requires a new way of thinking to combine cost tracking through production and delivery, value addition to the customer at the end of the supply chain, game theory and optimal application of information management to provide a return driven strategy.

- Fulton, Gaul and Raychaudhuri.(2010:1544) further states that critically important for an effective asset management system is the establishment of a formal standard for procuring assets within an organisation, and standardised internal process across the enterprise.

Suhong, Bhanu Ragu-Nathan, Ragu-Nathanb, Subba Rao 2006. (107 – 124) states that effective supply chain management (SCM) has become a potentially valuable way of securing competitive advantage and improving organizational performance

since competition is no longer between organizations, but among supply chains. The authors also empirically test a framework identifying the relationships among SCM practices, competitive advantage and organizational performance. They further state that SCM practices are defined as the set of activities undertaken by an organization to promote effective management of its supply chain. The practices of SCM are proposed to be a multi-dimensional concept, including the downstream and upstream sides of the supply chain. Structural equation modelling is used to test the hypothesized relationships. It is expected that the current research, by addressing asset management in the SCM practices simultaneously from both upstream and downstream sides of a supply chain, will help researchers better understand the scope and the activities associated with SCM and allow other researchers to test the study. Further, by offering a validated instrument to measure SCM practices, and by providing empirical evidence of the impact of SCM practices on an organization's competitive advantage and its performance.

2.7 Principles of Asset Management

According to KZN Treasury Practice Note 006: (2003: 2- 3) Asset management is the process of guiding the acquisition, use, safeguarding and disposal of assets to make the most of the service delivery potential and manage the related risks and costs over their entire life. The principal objective of asset management is to enable departments to meet their service delivery objectives efficiently and effectively by achieving the best possible match of assets with programme delivery strategies

Five asset management principles as outlined on the practice note are as follows;

- Service delivery needs are to guide asset practices and decisions: Departments are to undertake asset management activities within strategic framework that is driven by programme and service delivery needs.
- Asset planning and management are to be integrated with strategic business plans, budgetary and reporting processes: Planning, budgeting for, and reporting on assets are to be integrated with broader planning processes both within departments and between central and other departments
- Asset management decisions are to be based on evaluations of alternatives that take into full account life cycle costs, benefits and risks of assets: Capital

expenditure decisions re based on rigorous and documented economic appraisal of options that include financial as well as non-financial parameters. The economic appraisal should be evaluated by a party other than the promoter of the project.

- Ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented: Ownership and control of all assets are to be fully defined .Accountability and reporting requirements for both ownership and control are to be determined and clearly communicated.
- Asset management activities are to be undertaken within integrated Government assets management policy framework: Department asset management is to be based on the best practice in government and industry and on Government policy.

Fulton, Gaul and Raychaudhuri (2010:1544) indicate that enterprises involved with government work have to meet certain specific reporting requirements, and these can be met with great ease with a methodology in place that enforces the collection of the requisite data and provides the desired output. Asset management is a business approach design approach designed to align the management of asset related spending to corporate goals. The objective is to make all infrastructure related decisions according to a single set of stakeholder driven criteria. Asset management approach reduce spending, more effectively manage the risks, or drive corporate objectives throughout an organisation (Brown and Humphrey, 2005:40).

The asset management principles apply equally to the information technology to conceive as well as to finally harvest the cash flow, as they do to the conception through operation of asset itself.

2.8 Asset Management Plan

Stephenson, Barta and Manson (2001:86) explain asset management plan as a set of rules and procedures that govern the creation, use and maintenance of the asset register and its information. The asset management plan must lay down policies and

procedures for maintaining the information in the asset management of an institution. If this information is not maintained then it will quickly become out of date, redundant and possibly misleading.

Furthermore, asset management plans are not static, but they evolve with the organisation. As the organisation becomes more familiar with the asset management plan, and as more detailed data on the asset becomes available, so the plan should become more detailed and accurate (Asset Management in the South Africa Water Service Industry:10).

Good planning ensures that money spent today has lasting value in the future. When planning a system capital projects must be weighed against operational project and maintenance so that the performance and risks targets can be achieved for the least life cycle cost (Brown and Humphrey, 2005:43).

According to Fulton, Gaul and Raychaudhuri (2010:1548) a planned, systematic and structured Asset Management process tames the wild profusion of network assets and other resources in today's corporate environment and prevents it from becoming a veritable Pandora's Box.

Asset planning is driven by corporative objectives, determines all asset levels spending and is based on rigorous analysis and asset level data. Asset management plan should include the following essential steps: (Asset Management in the South Africa Water Service Industry, (2001:16-18).

- Contact a consultant who can advise on asset management and creation of asset management plans.
- Establish the goals, objectives and framework of the asset management plan
- Establish what asset management processes and data acquisition methods currently exist, and are required.
- Determine what level of asset management plan is required, based on the level of services and assets controlled by the institution.

- Establish what levels of service are required, based on customer expectations and willingness and ability to pay for services.
- Prepare an asset register, including conditions, performance measures and valuations.
- Evaluate existing level of service and compare with required levels to determine the gaps
- Examine demand management plans and prepare demand growth predictions.
- Determine required capacity expansion based on demand growth predictions, service levels gaps and available resources.
- Prepare financial summary, including financial forecast, funding strategies and evaluation forecast.
- Prepare an asset management plan improvement programme including performance measures for the plan itself ,monitoring and review procedures

The Asset management plan is entirely dependent on an accurate and up to date knowledge of all asset owned and used by the organisation. Having an effective asset register best provides this knowledge (Asset Management in the South Africa Water Service Industry: (2001:16-18).

Stephenson, Barta and Manson (2001:86) further concur that an asset management plan draws on the information in the asset register in order to effectively plan the management of the organisations assets. The asset planning process should draw on the information gathered from the strategic and operational processes which should be conducted around human ,information ,financial and physical resourcing needs ,either to develop or to meet the level of services .The broad asset needs identified through the asset planning, management and review processes should be highlighted in the strategic asset plan which should be articulated through appropriate capital investment ,maintenance and asset disposal planning process.

2.9 Asset Life Cycle

In today's competitive business environment it is a prerequisite to manage assets effectively and efficiently in order to get maximum return on investment. This can

only be achieved by considering the entire life cycle of assets (Jooste and Page, 2004:47). Figures 1 below describes the entry to exit of an asset in the organisation in terms of the planning and utilization. It consists of procurement, deployment, management and retirement. Stephenson, Barta and Manson (2001:59) state that the assets register development is the most valuable tool for costing the lifecycle of an asset. The assets identified, classified and evaluated in the asset register by means of available software enable to calculate the whole life costs of various water infrastructure assets owned.



Figure 1: Asset Life Cycle. Source - DCT Systems Group

Amadi-Echedu (2010:1156-1157) state: that the wider scope for physical assets management not only embraces the life cycle, but also focuses on whether or not an asset is owned, managed and utilised in such a manner as to create or sustain the value profile defined by its stakeholders. Furthermore, physical asset management involves a wide range of disciplines and processes covering the life cycle stages of creating, establishing, exploiting and divesting a physical asset in a balanced manner to satisfy the continuum of constraints imposed by business strategy, economy, ergonomics, technical and operational integrity and regulatory compliance. Decisions regarding the use of assets can be made at any stage of the asset life cycle and at various levels of the organization. The asset life cycle is similar to the

project life cycle. Jooste and Page (2004:46-48) are in agreement that management's focus has shifted from maintenance management towards total asset management, centering on effective asset at optimum life cycle costs and management of the asset life cycle including maintenance. The asset management shortcomings lead to ineffective and underperforming assets with high life cycle costs, which have a negative influence on the financial performance and return on capital investment. In addition, a general description for asset management is the global management process through which the highest value decisions regarding the use and care of assets are made and executed. In conjunction with the asset life cycle it is evident that asset management affects all areas of business. Therefore, it needs to be aligned and integrated into functional and operational business process. Furthermore (Jooste and Page, 2004:46-48) highlight the current problem in the asset management environment being the lack of structured performance management which is required to effectively control the performance dynamics of the asset and its life cycle (Jooste and Page, 2004:46-48).

Planning to write-off assets starts during its useful life phase in order to ensure that there is a replacement. The SCM phases spell out clear on the timing of asset replacement and upgrade as well as ensuring that the depreciation values of assets are taken into consideration upon retirement.

2.10 Business Process

Jooste and Page (2004:48) state that modern performance practices promote the vertical integration between top level goals and operational strategies as well as horizontal integration between process results and customer requirements. These practices need to be applied to asset management explaining the need for synergy between asset and performance management that can be incorporated within the business process.

The main reason for implementing asset management is the financial and management benefit that it will deliver. Shimpi (2005) and Berenbeim (2004) in Manab, Kassim and Hussin (2010: 239 – 252) note that compliance is considered as an essential complement to Enterprise-Wide Risk Management (EWRM), hence an effective value based enterprise requires a strong reinforcement of compliance

systems. The compliance function checks that all relevant laws are being properly complied with. Corporate governance is vital for effective EWRM and none of its components can be achieved without corporate governance compliance. The integration between corporate governance, risk management, and compliance are required in order to achieve objectives and maximise shareholder value. Organisations have to comply with a rule, regulation, and a standard of listing requirement regarding the corporate governance and risk management.

Corporate governance and risk management are interrelated and they are interdependent. The stability and the improvements of the company's performance are highly dependent on the effective role of both components.

2.11 Asset Management Strategy

From a historical perspective, strategic management has evolved from strategic planning because the planning cycle used in strategic planning is assumed to be inadequate to deal with the rapid rate of change that occur in a firms external environment (Gruis ,Nieboer and Thomas, 2004:1234).

Mohseni (2003:963) indicates that effective asset management is about more than maintenance or capital investment. It represents the ability to understand and manage the trade-off between risk, cost and performance to optimise the financial and commercial performance of an asset base.

Asset management relies on the strategic strength of the company to leverage the investment of an asset into a profitable cash flow from customer demand. Thus the corporate strategic strength defines and is dependent upon the value added capability of each asset. Many authors will concur that strategic planning emphasize the need of an analysis of a company's own strengths, weakness in relation to the opportunities and threats in their environment in support of strategy formulation.

Hince & Wellesley (2008) states that asset management is a sequence of related business processes, all focused on assets that need to be linked to each other. The four functional areas of asset management are:

- Strategic planning
- Performance monitoring
- Lifecycle management
- Information management

In addition, Hince & Wellesley (2008) define Strategic planning as the process of identifying and quantifying the essential goods and services necessary to achieve the required service levels for an asset or asset class. An asset's strategic plan is created using historical information, business goals, operational strategies, and consideration for all of the known controllable variables. Common controllable variables for an asset's policy are:

- Demand characteristics
- Lead time
- Number of products
- Service level
- Cost structure
- Maintenance cycles

Executives who create a plan that is strategic in direction, organized structure, and disciplined in execution, managed throughout and repeatedly will gain maximum efficiencies and lead their team through the labyrinth of decisions

Much of the problem statement had been solved. However, there are still some items missing and the questions that will help are:

- Is there a need to invest in new assets, or should the life of existing assets be extended?
- Do asset management practices impact the overall organisational performance?

2.12 The Challenges associated with asset management

Hanis, Muhammad Hasbi and Trigunarsyah, Bambang and Susilawati, Connie, (2011: 36 - 47) argues that by applying asset management processes, government could improve the effectiveness and efficiency of service delivery. This improvement

would be achieved through reduced and fully auditable operating costs, reduced vacancy rates and improved delivery timescales, better managed value as well as lower moving costs. To apply a public asset management framework, however, government is confronted by a number of challenges. Hanis, Muhammad Hasbi and Trigunarsyah, Bambang and Susilawati, Connie, (2011: 36 - 47) identified the following six challenges;

2.12.1 The absence of an institutional and legal framework

The first challenge is the absence of institutional and legal frameworks. Kaganova and Nayyar-Stone (2000) observed that governments often have insufficient discretion in the area of real property asset management. They also have difficulty in setting up proper and supportive frameworks for public assets managers. In other words, the institutional and legal frameworks for government asset management are not sufficiently developed in many countries. In Bulgaria, for example, the national law requires a city mayor to sign each lease contract for the municipal properties. Bulgarian cities have a large numbers of such property leases so signing documents consumes significant amounts of the mayor's time. As signing leases is a routine property management function, it should be delegated to less senior municipal officers in order to maximise the mayor's functions. Similarly, local regulations for asset management do not clearly define local public property. In Russia, for example, there are no regulations that clearly define which public land in cities is owned by which level of government (Kaganova & Nayyar-Stone, 2000).

2.12.2 The non-profit principle of public assets

The second challenge is the non-profit principle for public assets. The majority of local governments in developed and developing countries have been under financial pressure due to increased responsibilities and decreased subsidies from central government. However, they still treat public assets as public goods and as non-income generating resources. Local government does not usually acknowledge any income generated from infrastructure assets (Lemer, 1999: 258). This is because the type of revenue generated by infrastructure assets is typically indirect.

Such income might be identified, for example, from a road improvement or a water-and-sewer extension which enhances property values, leading in turn to higher property-tax revenues. Higher sales-tax receipts might result from infrastructure investments that enable development or expansion of retail and entertainment activities in a downtown or suburban area. Higher income-tax revenues can be achieved when infrastructure improvements facilitate local industry's efforts to expand its workforce, increase its productivity and compete more effectively by controlling its costs.

Kaganova and Nayyar-Stone (2000:309) indicate that public property was commonly treated as a public good until the 1980s. There was no systematic consideration of the optimisation of use or financial performance of public property in order to maximise the profitability of the assets. However, in the early 1980s, a new vision in managing public assets developed, which involved treating public assets as productive and potentially capable of showing financial return.

2.12.3 Multiple jurisdictions in public asset management

The third challenge is a cross-jurisdiction issue for the management of public assets. Management of these assets is highly grouped, often with each category falling within a different jurisdiction, department or district. Lemer (1999: 255) indicates that one of the challenges to the better management of public assets is that they are managed by different agencies and at many jurisdiction levels. Authorities involved in management have their own regulations, procedures and policies, which sometimes contradict each other, because they have their own objectives and there is little coordination between them.

This lack of coordination between property departments and public services divisions might, for example, lead to an imbalance of supply and demand of public services (Priest, 2006: 237). There is a further complication resulting from the number of professional disciplines involved in the asset management process; for example,

lawyers, engineers, planners and financial analysts, all having a unique perspective on the management processes.

2.12.4 The complexity of public organisation's objectives

The fourth challenge is the complexity of public organisation's objectives. The objectives of private organisations and public entities are different. Private organisations are managing their property primarily to increase profit, either as a revenue generator or as a tool to aid production. The public sector as a not-for-profit organisation has objectives to be an efficient operator and an equitable distributor of resources. Another important consideration for a public organisation is to generate a social return such as affordable housing (Susilawati and Armitage, 2004). However, a prime objective of public asset management is ensuring government understands the capital value and costs associated with its operational assets. Although conceptually simple, identifying value from public assets is complex from operational, fiscal and accounting standpoints.

Public asset management objectives should specify milestones to be attained within certain time periods. However, in practice, statements of objectives are often overly general, vague and open-ended in terms of time. Such poorly written objectives fail to convey management commitment to achieve particular results and provide little guidance for defining meaningful measures to assess performance. Useful program objectives can be developed using the SMART convention; specific in terms of the results to be achieved, measurable, ambitious but realistic and time-bound (Poister, 2003: 63).

2.12.5 The economic inefficiency in public asset management

The fifth challenge is the economic inefficiency associated with public property. Governments are not efficient land and property owners or managers. This argument is supported by various studies in developing countries where government ownership of assets frequently results in huge amounts of illegal construction, shortage of buildable areas, overcrowding of existing housing and under utilisation of

buildable sites in prime locations (Kaganova and Nayyar-Stone, 2000). Developing countries experience major challenges of public ownership of land and real estate, seen for example, in the under-allocation of construction sites in locations that, as a result, does not satisfy the effective demand for the community, or in the inefficient management of surplus property (Kaganova and Nayyar-Stone, 2006).

One source of inefficiency is the presence of large portfolios of vacant or underused properties. This situation is caused by the continuing change of structure or the scope of services provided by government departments and agencies. The demand for space changes is faster than local governments' capability to reutilise or dispose of surplus public assets (Kaganova et al., 2006, pp. 13-14). Although government no longer requires the assets, there is no incentive or financial benefit to put the properties on the market since they are a "free good" and the cost of holding the asset is not highlighted in any chart of accounts.

Examples can be found everywhere, from military facilities that are not needed because the war is over, to vacant or half vacant school buildings in former Soviet Union countries that are not used due to demographic, economic and social changes (Kaganova et al., 2006). "Opportunity losses" often result from government failure to capture the "highest and best use" of public assets. Some of these decisions are politically motivated; some reflect managerial incompetence or corruption, whilst others reflect disagreement as to how far the market should be allowed to go in dictating property use. The inefficiency ranges from the use of well-located land sites for municipal equipment storage or waste yards, to the systematic practice of leasing public property to private parties for below-market rents without the benefit of competitive tendering (Ingo and Elif, 2007).

2.12.6 The availability of data related to public asset management

The last challenge is the availability of data required for managing public assets. Even among the more advanced asset managers, information about real property has been a problem until relatively recently (Kaganova et al., 2006, pp. 14-15). As recently as 1996, only 65 % of local governments in New Zealand and 66 % in

England and Wales had their public assets records computerised. In 1997, Washington DC had duplicative and inconsistent inventory records of buildings that the city owned and a substantially incomplete inventory of leases.

Even in early 2002, there was no reliable government data on property holdings of the federal government in the USA. Its worldwide inventory lacked such key data as space utilisation, facility condition and historic background (Kaganova et al., 2006). Revenues and expenses are not tracked on a property-by-property basis, because this information is not collected by property within governmental financial systems. The potential market value of real estate is also frequently unknown, even for obviously marketable and legally saleable assets. Book values for property are often so outdated as to be meaningless. Possession of readily usable information is an integral part of the organisation's strategic planning.

The information includes: physical lives of assets; expected amount and timing of major capital and maintenance expenditures; asset replacement values; and market value. Having that information enables asset managers to influence organisational decisions that affect their operations. It also enables organisations to run their operations with access to financial information, ensuring that there are no unpleasant surprises as a result of decision making "in the dark" (Kooymans and Abbott, 2006: 198-9).

2.13 The Benefits of Asset Management

With the need for asset management evident, the question then becomes: "What will asset management do for me?" A good asset management process will compel decisions concerning an asset to be based on corporate objectives such as customer service, regulatory compliance, financial efficiency, and operating service levels. Asset management is a value-driven, decision-making process. It will help the asset manager reduce inventory and spending, extend asset life, identify efficiency shortfalls, manage risk, and justify expenditures. The essence of asset management will be familiar to all well-run utilities (Hince & Wellesley, 2008).

Asset managers must make decisions regarding the operations and maintenance of their infrastructure; planning for future needs; budgeting for current and future needs; and allocating resources. Of course, knowledge about the material condition of the devices has always been and will continue to be valuable. The discipline of asset management supports these activities and facilitates their performing in a better way, with focus on corporate objectives. Its foundation is acquiring the information needed to optimize trade-offs among financial performance, operational performance, and risk exposure. Asset management is also about designing and implementing new business processes that can deliver higher returns to corporate stakeholders. The benefits of asset management are real. Successful public and private sector utilities across the globe have achieved significant cost savings and operational improvements through asset management (Hince & Wellesley, 2008).

The heart of good asset management is based on simple principles. Asset management's primary aim is the alignment of managing assets with corporate objectives. One of the guidelines of the discipline is that all business units should make decisions based on the same criteria. A sound asset-management process ensures that business units do not emphasize parochial criteria at the expense of overarching corporate objectives. Asset management links decision-making with information. Decisions are driven by the actual condition and performance of assets individually and collectively, as well as by the risks to corporate objectives from asset failure.

Analytical methods and information integration are central. Asset management uses a life cycle approach to evaluating assets. This ensures that asset costs are minimized, starting with initial investment, through its operational life, and ending with its retirement/disposal. Asset management differentiates between ownership of the asset and management/operation of the asset. The asset owner establishes the guidelines for risk, cost, and performance of the asset. The service provider manages and operates the asset according to the owner's plan. Finally, asset management is a process, and the process must take priority over functional responsibility (Hince & Wellesley, 2008).

2.14 Asset management practices in South Africa

Since the political and socio-economic circumstances in South Africa in 1994, many concepts came into being and practices and legislations broadened while new order in reconstruction and development particularly of formerly disadvantaged communities in peri-urban and rural areas started. Along with the political and socio-economic changes came the Public Finance Management Act 1 of 1999.

The National Treasury on behalf of the national government have taken the lead in implementing new legislation and introducing regulations to implement the act in the form of Treasury Regulations. There were also by then expectation by government for departments to follow the principles of asset management as set out in the Generally Accepted Accounting Practices (GAAP).

According to section 38(d) of the PFMA (South Africa, 1999), the accounting officer is responsible for the management, including safeguarding and maintenance, of assets, and the management of liabilities. It is thus the general responsibility of the chief financial officer to carry out this responsibility on behalf of the accounting officer as prescribed on part 2 of chapter 5 of the PFMA (South Africa, 1999). According to section 45 of the PFMA (South Africa, 1999), other officials are responsible for the management of the liabilities within such an official's area of responsibility.

2.15 Chapter summary

This chapter has presented information pertaining to of definitions, asset register, asset management framework, principles of asset management, asset management plan, asset life cycle, asset renewal, supply chain management and the business process. Sound asset management decisions that are based on a thorough understanding of the modern business context are needed. Chapter 3 will deal with the methodology of the study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In the research methodology chapter, study area, population and sample size are discussed. The detailed account of data collection techniques, data analysis and interpretation will be presented. The validity and reliability of the study, ethical and limitations on the study will be clarified.

3.2 Study area

As indicated in chapter one, the study was conducted in the National Office of the department of Justice and Constitutional Development in Pretoria.

3.3 Research design

This research project presents data in the form of words from documents hence the study uses descriptive quantitative research design. Mouton (2001:55) defines research design as a plan or blueprint of how one intends conducting the research. The research design is a key to ensure that the evidence obtained enables the researcher to answer all research questions. It is a programme to guide the researcher in collecting, analysing and interpreting observed facts. Research design can also be defined as a specification of the most adequate operations to be performed in order to test a specific hypothesis or to answer a research question.

Kumar (2005: 20) notes that the usage of appropriate methods, as the most important features of any research, and as such the topic of the research should be able to determine the type of a methodology to be used. The research methodology is described in terms of design; method, population, instruments and procedures used for data collection as well as procedures used during data analysis. Collis and Hussey (2003:18) describe a quantitative approach as the research which involves collecting and analysing numerical data, by applying statistical tests. Creswell

(2009:16) states that through this method, the researcher tests a theory by formulating hypotheses and the collection of data to support or refute these hypotheses. In other words, the researcher tries to assess the cause-and-effect relationship between the independent and dependent variables.

3.4 Population of study

The National office has around 1 500 employees. The sample was drawn from 1 500 employees across all levels in both the Momentum and Salu buildings of the national office.

3.5 Sampling procedure and sample size

From a total of 1500 employees in the national office of the Department of Justice and Constitutional Development, a simple random sampling technique was used to select 10% of the employees which gave 150 respondents as sample size. Sampling is a process of selecting a portion of the population to represent the entire population (Polit & Hungler, 1991:654). A sample thus comprises the elements of the population considered for actual inclusion in the study. It is a subset of measurements drawn from a population in which the researcher is interested.

3.6 Data collection

A structured questionnaire based on the objectives of the study was developed and administered to the selected sample. A questionnaire, according to (Bless and Hogson-Smith, 2000:156), is an instrument of data collection consisting of a standardised series of questions relating to the research topic to be answered in writing by participants. Polit and Hungler (1995:193) describe a questionnaire as a tool for gathering self-report information from the respondents about their attitudes, knowledge, beliefs and feelings. The questionnaire was formulated in simple English language and questions were short and precise. The questionnaires were randomly and manually distributed to officials by the researcher in the National Office and they were collected after few days as per arrangement. A cover letter accompanying the questionnaire was attached to explain the intentions of the study, procedure of the

responses and guarantee the respondents' anonymity. The questionnaire in the study consisted of four sections, namely, Section A, Section B, Section C and Section D. All sections consist of short tick box questions which the participants were asked to answer.

Section A has questions on the demographic profile of the respondents that included their work profile. They are requested to indicate their age, number of years working in the department, professional qualifications and position in the department, marital status and sex.

Section B consisted of questions that aim to find the respondents' views about staff knowledge on asset management guiding principles. It had twelve (12) close-ended questions where respondents are requested to respond with a yes, no, not sure and do not know options.

Section C of the study had questions aimed at determining the management knowledge on asset management guiding principles. There were eleven (11) questions which required the respondent to answer in a yes, no, not sure and do not know options in determining the management knowledge on asset management guiding principles. Section D was aimed at collecting data on the participants' awareness of asset management objectives as well as to indicate how they think the National Office complies with the set objectives. Questionnaires provide a quick, inexpensive, efficient and accurate means of information about the population (Zikmund, 2003:175). The gathering of the required data, to be descriptive quantitative, was made possible by virtue of the use of questionnaires. Data was obtained from the officials of the National Office of the DOJ & CD who responded to the questionnaire.

3.7 Validity and reliability of data collection instrument

3.7.1 Reliability

The structured questionnaire was piloted with few respondents to check for any ambiguity on the questions and confirm its reliability before it was administered to the sample population. Reliability is defined by Polit and Hungler (1993:445) as the degree of consistency with which an instrument measures the attribute it is designed

to measure. Reliability is the extent to which the respondents consistently provide the same results regardless of who does the measurement and when or where it occurs. In order to assist the respondent to be fair and honest in their responses, the questionnaires did not request any names of sections where they are placed in the department. This encouraged free expression of their opinions in response to the questions. The biasness in the research was minimised by the researchers' being the only one to administer the questionnaires.

3.7.2 Validity

The questionnaire was face validated by a research expert at South African Reserve Bank, asset management senior manager the national office of the DOJ&CD, NWU, and the supervisor.

The validity of an instrument is the degree to which an instrument measures what it is intended to measure (Polit & Hunger 1993:448). To ensure validity, questions were based on the knowledge of respondents on the existence of asset management policy, guiding principles and compliance to the prescripts. The questions were also based on the information that was gathered on the literature review on asset management principles and compliance. A questionnaire was used as a tool for gathering information from the respondents. As such measures were taken to ensure the validity of the research findings. Questions were also formulated in simple language for clarity and ease of understanding to ensure that respondents at all levels can have the same understanding of the questions.

3.8 Data Analysis

Data collected through the questionnaire were sorted, coded and analyzed using In the Statistical Package for the Social Sciences (SPSS) version 21. The aim of the analysis was to understand the various constitutive elements of one's data through an inspection of the relationships between concepts, constructs or variables, and to see whether there are any patterns or trends that can be identified or isolated, or to establish themes in the data (Mouton 2012: 108).

From a total of 150 questionnaires administered, only 130 of the questionnaires were received back at agreed date and time between the researcher and the respondents. This gives a response rate of 86.6%. The data were described using frequency counts, percentages and the inferences were drawn through the use of correlation and multiple linear regression analysis.

3.9 Ethical Considerations

A written permission to conduct the research was obtained from the National Office of the DOJ & CD (see annexure 1). Conducting a research does need a high degree of diligence, honesty and integrity and the researcher ensured that all these requirements were adhered to through determination of anonymity and confidentiality. A signed cover letter was attached to all questionnaires explaining purpose of the study, approach to responses and assuring respondents' anonymity. The questions asked in the research were also checked by the supervisor to confirm credibility and alignment to the purpose of the study.

Confidentiality was maintained by keeping the collected data confidential and not revealing the respondents' identities during reporting or publishing results. The integrity of the study and results were upheld as all the data was entered into the SPSS computer software programme. The results were produced independently to avoid any aspect of subjective collaboration. The final research report will be submitted to the Director General and be made available to the DOJ & CD staff members in the National Office or any other office in the country, and will also be available from the North-West University library.

3.10 Chapter Summary

This chapter entailed the methodology used to conduct the research. Population, sample, data collection methods and process as well as reliability of the data collection method were also discussed. Analysis of results and ethical standards were also emphasized. Chapter 4 presents the interpretation and analysis of data obtained from the questionnaires completed by the respondents.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

In this chapter the results of the data analysis are presented. The data were collected and then processed in response to the problems indicated in chapter 1 of the study. The sections of this chapter include Demographic Profile of the Respondent, Staff knowledge on asset management guiding principles, Management knowledge on asset management guiding principles, Guidelines and competencies on asset management, results of correlation analysis of asset management compliance and other variables based on multiple linear regression and determinants of compliance with asset management principles and guidelines.

4.2 Demographic Profile of the Respondents

This section of the study focuses on the interpretation of the data collected. Table 4.1 shows the demographic profile of the respondents in terms of frequencies and percentages. The demographic profile includes these variables: gender; age; marital status; educational level; type of employment and the position of the respondent in the department. From the respondents, 45.4% were males, while 54.6% were females. According to Statistics South Africa, (2011) census data the country's population was 51 770 560, of which 26 581 769 (51.3%) were female and 25 188 791 (48.7%) were male. The population sample of this study also reflects the census results. In terms of the age group layout, the least number of respondents belonged to the group between 60-69 years of age, with the group 30-39 having the most respondents at 45%. This may be due to the active age group in the society. The variable of educational level shows quite a scattered trend among the respondents; every qualification level indicates a reasonable fair number of people, with the exception of the doctorate level, which has only one respondent at that level. The respondents with National Diploma and Degree stand equally at 23.1% which is normally an entry qualification in the South African job market. Permanent staff makes 87.8% of the population mainly because the government believes in appointing staff on a permanent basis while the remaining 12% of the staff are due to project employment and internships. The department has appointed more staff in the

vacant and strategic positions over the past five years hence 35.4% of staff has 1-5 years of service in the national office. The office has 39.2% staff as clerical/admin which may be attributed by the fact that the department works on a hierarchical structure whereby you have few members of management and a bigger pool of operational staff. Supervisors also reflect a 29% of the population size. Management in this regard reflects 17.7% and executive management 9.2% respectively supporting the structure design of the government organogram.

Table 1 - Demographic Profile of the Respondents

Variables	Frequency	Percentages
Gender		
Male	59	45.4
Female	71	54.6
Age		
20 - 29 yrs	23	17.7
30 - 39 yrs	59	45.4
40 – 49 yrs	35	26.9
50 - 59 yrs	12	9.2
60– 69 yrs	1	0.8
Marital Status		
Single	55	42.3
Married	60	46.2
Cohabiting	4	3.1
Divorced	10	7.7
Widow/er	1	0.8
Educational level		
Matric	18	13.8
Diploma/Certificate	23	17.7
National Diploma	30	23.1
Degree	30	23.1
Post-Graduate Degree	19	14.6
Masters	9	6.9

PhD	1	0.8
Type of employment		
Permanent Staff	114	87.8
Contract Staff	16	12.3
Years of service in the Department		
Less than 1 yr	11	8.5
1-5 yrs	46	35.4
6-10 yrs	34	26.2
11-15 yrs	22	16.9
16 – 20 yrs	11	8.5
21 yrs and over	6	4.6
Position in the Department		
Executive Management	2	1.5
Senior Management	12	9.2
Management	23	17.7
Supervisor	38	29.2
Clerk\admin staff	51	39.2
Intern	4	10.3

4.3 Staff knowledge on asset management guiding principles

Having reflected on the demographics of the population sample, the focus shifts here to the content of the questionnaire that the respondents had to complete. The purpose of table 2 below is to get an overarching idea of what knowledge the staff members may have had on the guiding principles of asset management. Eighty nine percent of staff is aware that there is a supply chain management policy. On the same note, there was a relatively high percentage of respondents to the tune of 74.6% who knew about the department's asset management policy; the existence of an appointed asset custodian by their directorate; and also being in conversation and compliance with the processes and provisions of the policies. A notable 63.1% of the respondents did not attend any training on supply chain/asset management policy while only 33% of staff members did attend a related training. This may be attributed to the fact that most of the respondents have been in the department for less than 6 years and may have not been exposed to such training. The table also indicates that

below 50% of the respondents thought there was enough human capital in the department with regard to asset management; and that the department wasn't aware of staff knowledge of the idea of asset management. Concurrently, a large number 69.2% of respondents expressed their wishes to see an improvement with regards to the departmental asset management.

Table 2 - Staff knowledge on asset management guiding principles

Staff knowledge on asset management guiding principles	Yes	No	Do not Know	Not Sure
Does your department have a supply chain management policy?	116(89.2)	3(2.3)	7(5.4)	4(3.1)
Does your department have an asset management policy?	97(74.6)	11(8.5)	11(8.5)	11(8.5)
Does your directorate have an appointed asset custodian?	95(73.1)	13(10.0)	12(9.2)	10(7.7)
Are you conversant with the processes and expectations of asset management?	92(70.8)	24(18.5)	3(2.3)	11(8.5)
Is your department capable of controlling and manage assets well?	76(58.5)	18(13.6)	14(10.8)	22(17)
Is there enough human resource capacity in the department with regard to asset management?	45(34.6)	37(28.5)	23(17.7)	25(19.3)
Is the department performing according to principles as stipulated in the asset management policy	52(40)	20(15.4)	24(18.5)	33(26.2)
Did you attend any training / workshop on the Supply Chain Management/asset management Policy?	43(33.1)	82(63.1)	5(3.8)	0(0)
Are you conversant with the application of supply chain management tools in your department?	73(56.2)	36(27.7)	6(4.6)	15(11.5)
Is your department aware of staff knowledge in the management of its assets?	41(31.5)	31(23.8)	24(18.5)	34(26.2)
Is there anything you wish could be done to improve on your departmental assets management	90(69.2)	14(10.8)	8(6.2)	18(13.8)

4.4 Management knowledge of asset management guiding principles

On the part of the management echelons in the department, as would be the expectation, there was a high knowledge of the policies of supply chain and asset management respectively. Unlike in the staff knowledge question, 90% of respondents believe that managers are aware of the department's asset management policy while only 5.4% responded by saying that they do not know of the policy. These may be newly appointed managers/supervisors in the department or technical managers who are entirely working on the deep aspects of the core business of the department which administration of justice and constitutional development.

A notable 68.5% of respondents believe that managers have asset management as part of their performance agreements while a marginal of 13.1% and 11.5% responded with a no and do not know respectively. This may be due to the fact that most managers or supervisors are expected to respond to asset management issues when they arise. The concern on management officials, however, was the issue of managers not having updated records of all assets in their directorates. In this table below, evidence is shown through the numbers that have been recorded against the various questions in the questionnaire. There were also mixed reflections by management official on the question whether the department was performing according to the principles stipulated in the asset management policy.

Fifty three percent of the respondents were recorded to be in agreement with the assertion that the department was performing in accordance to the policy, while the other 18% disagreed with the assertion. This may be due to the fact that managers are more informed on the issues than ordinary staff members.

Table 3 - Management knowledge of asset management guiding principles

Management knowledge on asset management guiding principles	Yes	No	Do not Know	Not Sure
Does your department have a supply chain management policy?	115(88.5)	2(1.5)	5(3.8)	8(6.2)
Does your department have an asset management policy?	118(90.8)	1(0.8)	7(5.4)	4(3.1)
Does your directorate have an appointed asset custodian?	91(70.8)	17(13.1)	14(10.8)	7(5.4)
Do managers have asset management as part of their performance contracts?	89(68.5)	15(11.5)	17(13.1)	9(7)
Do managers take asset management seriously?	58(44.6)	20(15.4)	28(21.5)	24(18.5)
Managers do afford asset custodians and verifiers time to carry their functions and takes a lead to help in their directorates	65(50)	24(18.5)	22(16.9)	19(14.6)
Do managers when preparing for audits focus also on asset management?	66(50.8)	20(15.4)	23(17.7)	21(16.2)
Managers are good in detecting any risks regarding asset management compliance	72(55.3)	17(13.1)	21(16.2)	20(15.4)
Managers have updated record of all assets in their directorates	44(33.8)	32(24.6)	23(17.7)	31(23.8)
Audit reports on asset management are taken seriously and responded to	57(43.8)	24(18.5)	23(17.7)	26(20)
Is the department performing according to principles as stipulated in the asset management policy	69(53.1)	18(13.8)	24(18.5)	19(14.6)

4.5 Asset Management objectives

Table 4.4 below presents the issue of inherent asset management objectives that are generally accepted and those as stipulated in the asset management

policy of the department. The asset management objectives of the department are included in the first column of table 4.

The main variables here were awareness of these objectives, and also the compliance levels to these objectives. Eighty percent of the respondents are aware of asset management controls and systems and on the compliance section they rate compliance to medium which was 70%. Perhaps the larger interest lies in the compliance columns of the tables, whether compliance was at a high, medium or low level. Evidently, all objectives scored on medium level in terms of compliance.

There is however, a larger scoring in some objectives towards lower level compliance as compared to higher level compliance. Examples of these objectives are the current assets included under current expenditure on the annual financial statements; and whether the management and use of departmental assets was controlled by the custodian through JYP. The highest percentage on low level of compliance is 60% on asset demand and acquisition plan produced which may seem to be agreeable by most respondents.

The highest percentage on high compliance is observed on safeguarding of all assets in the custody of the department at 42% on the recording of transactions on Justice Yellow Pages system also on the same percentage. It is noted that most respondents rated the compliance on a medium level since it is for them not good neither worse. Most of them have indicated on the staff questionnaire that they would like to make positive change to the performance of the department.

Safeguarding of assets at 81% is made evident by visible security personnel and systems in the building while the latter is through continuous Justice Yellow Pages (JYP) training as access cannot be afforded to officials without attending relevant training and as such there is more compliance on JYP recording. What may be excluded is the accuracy of the recordings which is determined by audits.

Table 4 - Asset Management Objectives

Asset Management objectives	Awareness		Level of compliance		
	Yes	No	High	Medium	Low
Proper asset management systems put in place	105(80.7)	25(19.3)	30(23.1)	70(53.8)	30(23.1)
All assets under control of the department are duly identified and documented	104(80)	26(20)	34(26.3)	68(52.3)	28(21.5)
Safeguarding of all assets in the custody of the department	106(81.6)	24(18.5)	42(32.3)	52(40)	36(27.7)
Asset registers contain information on identity, acquisition, financial information and accountability information of all assets	106(81.6)	24(18.5)	36(27.7)	65(50)	29(22.3)
Proper control measures in place for asset movement in and out of office	102(78.5)	28(21.5)	38(29.2)	57(43.8)	35(26.9)
Audit plans produced on asset management and adhered to	92(70.8)	38(29.4)	30(23.1)	58(44.6)	42(32.3)
Clear segregation of duties between Asset Controllers and Asset Custodians	82(63.2)	48(36.8)	30(23.1)	56(43.1)	44(33.8)
All asset recording done on JYP system by authorized personnel	107(82.3)	23(17.7)	42(32.3)	62(47.7)	26(20)
Asset demand and acquisition plan produced	83(63.9)	47(36.2)	24(18.5)	46(35.4)	60(46.1)
Current assets included under current expenditure on the annual financial statements	100(77)	30(23)	27(20.6)	62(47.7)	41(31.6)
The management and use of departmental assets is controlled by the Custodian through JYP	101(77.8)	29(22.3)	26(20)	61(46.9)	43(33.1)

4.6 Guidelines and competencies on asset management

In table 5 below, respondents were asked to comment or reflect on the guidelines and competencies on asset management. A high number of respondents at an average of 75% showed awareness of these guidelines as appearing in the first column of the table. About 25% of respondents reported that they were not familiar or were unaware of the guidelines. This may be attributed to the fact 35% of the staff have been in the department for a period of less than five years. In terms of

compliance, the medium level dictates on part of all guidelines, as was in the objectives on asset management. Fifty two percent of the respondents rated a medium compliance whether the department is performing according to principles as stipulated in the asset management policy. There is an observed medium reflection on the high compliance rating which averages at 25% which the highest compliance is noted at 35% on the tagging of asset by a barcode. This option is very visible to all officials whereby non affixing of the barcode is notable. The concern here too, is that although not the most reported the low level of compliance rates higher than the high level of compliance.

Table 5 - Guidelines and competencies on asset management

Guidelines and competencies n asset management	Awareness		Level of compliance		
	Yes	No	High	Medium	Low
Asset controllers are appointed in writing and have assets as part of their job descriptions	98(75.4)	32(24.6)	33(25.4)	67(51.5)	30(23.1)
Asset custodians are appointed in writing and have asset management as part of their job descriptions	96(73.8)	34(26.2)	33(25.4)	62(47.7)	35(27)
Ensure that all allocated assets are recorded on the manual asset register	100(76.9)	30(23.1)	35(26.9)	64(49.2)	31(23.8)
Ensure that all assets are updated and recorded on the JYP system	106(81.5)	24(18.5)	30(23.1)	66(50.8)	36(25.1)
Is the department performing according to principles as stipulated in the asset management policy	99(76.2)	31(23.9)	27(20.8)	68(52.3)	35(27)
Asset register contain all information as per requirements	95(73.5)	35(26.9)	34(26.2)	61(46.9)	35(26.9)
Quarterly asset verification done in your section/directorate and reported	99(76.2)	31(23.8)	37(28.5)	64(49.2)	29(22.3)
Recording of assets acquisition, transfer and disposal done	99(76.2)	31(23.8)	34(26.2)	54(41.5)	42(32.3)
Asset loss control procedures in place	95(73.1)	35(26.9)	27(20.8)	62(47.7)	41(31.7)
All assets tagged by unique barcode affixed and	107(82.3)	23(17.7)	46(35.4)	54(41.5)	30(23.1)

recorded to JYP					
Asset management unit in National Office do asset spot checks	95(73.1)	35(27)	28(21.5)	58(44.6)	44(33.9)

4.7 Correlation coefficients of asset management compliance and other variables

Table 4.6 below shows the correlation coefficients showing relationship between compliance with asset management and other variables of the study such as knowledge of asset management by employees, knowledge of asset management by managers, awareness of asset management objectives and awareness of asset management guidelines. The results show that there is a significant relationship between compliance with asset management and knowledge by employee ($r = 0.34$, $p < 0.05$); knowledge by managers ($r = 0.28$, $p < 0.05$); awareness of asset management objectives ($r = 0.68$, $p < 0.05$) and awareness of asset management guidelines ($r = 0.67$, $p < 0.05$). This shows that compliance to asset management is positively influenced by knowledge and awareness of asset management by employees and managers.

Table 6 - Correlation coefficients of asset management compliance and other variables

Variables	R	df (n-2)	p
Knowledge of asset management by employee	0.34	128	0.00
Knowledge of asset management by managers	0.28	128	0.001
Awareness of asset management objectives	0.69	128	0.00
Awareness of asset management guidelines	0.67	128	0.00

4.8 Determinants of compliance with asset management principles and guidelines

Table 4.7 presents the determinants of compliance with asset management principles and guidelines in terms of the socio-economic characteristics, knowledge and awareness of the respondents. The independent variables were significantly related to the compliance with asset management principles and guidelines. The F value of 18.33 shows a strong relationship between the independent variables and

compliance with asset management principles and guidelines. The significant determinants are aware of asset management objectives. ($t = 6.258, p < 0.05$); awareness of guidelines ($t = 5.77, p < 0.05$); age ($t = 1.96, p < 0.05$) and types of employment ($t = 2.07, p < 0.05$). This implies that as the awareness of asset management objective and guidelines, age of respondents and types of employment increases compliance with asset management principles and guidelines will also increase.

Table 7 - Determinants of compliance with asset management principles and guidelines

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	4.971	5.499	-.104	.904	.368
Staff Knowledge	-.126	.092	-.104	-1.367	.174
Management Knowledge	.012	.060	.014	.196	.845
Awareness of asset management obj.	.997	.159	.463	6.258	.000
Awareness of Guidelines	1.046	.181	.431	5.771	.000
Gender	-1.271	.919	-.082	-1.383	.169
Age	1.316	.671	.152	1.962	.052
Marital Status	-.913	.571	-.105	-1.599	.113
Educational level	-.150	.398	-.029	-.376	.708
Type of Employment	2.299	1.110	.123	2.072	.040
Years of Service	-.199	.472	-.033	-.421	.674
Position	-.292	.560	-.043	-.521	.603
F	18.33				
P	0.00				
R	0.79				
R square	0.63				

4.9 Chapter Summary

This chapter presented the findings of the results obtained from the questionnaire administered. The findings showed that knowledge of asset management compliance by staff and managers directly influence the performance of the national office. Also, the results showed that as the awareness of asset management objective and guidelines, age of respondents and types of employment increases compliance with asset management principles and guidelines will also increase. The last chapter presents summary, conclusion and recommendations to the study.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this last chapter of the study, the summary of the study is presented. The conclusion and recommendations based on the findings are also discussed. The study was designed to evaluate asset management compliance in the National Office of the Department of Justice and Constitutional Development.

5.2 Summary

The primary objective of the study was to evaluate how the national office deals with asset management within the legislative frameworks and regulations and as well as to observe any defects, good practices or lessons that can be learned from the management practices and be implemented in all the other offices of the department. To attain the objectives, the study focused on staff knowledge of asset management guiding principles, Management knowledge of asset management guiding principles, asset management objectives as well as guidelines and competencies on asset management.

Chapter 1 of the study introduced the topic and outlined a brief background and the problem statement. The objectives of the study were drawn and the problem statement provided a more concise analysis of the problem to be studied. It is evident that the department has been having challenges on asset management over the years even though measures were taken to minimise or solve the problems. The chapter also clarified the layout of all the other chapters in order to provide direction to the study.

The literature review chapter provided the overall literature review of the study. The concept of asset management was explained by different authors. Other concepts that form the asset management matrix like asset register, asset management principles, asset management plan and lifecycle were detailed and reviewed in conjunction with the topic. The relevant literature has been reviewed in relation to the

requirements of asset management frameworks with relevance to the DOJ & CD. During the review, it has been seen, to a particular extent how the different authors view the concept of asset management and its application to the bigger picture of operations within institutions notwithstanding the PFMA and other legal frameworks.

Chapter 3 of the study dealt with the methodology. It is in this chapter where an outline of how the research was carried out was given. A simple random sampling technique was used to draw respondents and that's how the questionnaire was administered. The sample of the study was drawn from the population of 1 500 employees of national office of the Department of Justice and Constitutional Development and 130 questionnaires were received and recorded.

Chapter 4 presented the results and interpretation of the questionnaires administered by the researcher. The results showed that compliance with asset management is positively influenced by knowledge and awareness of asset management by employees and managers. Also on the determinants of compliance with asset management principles and guidelines, it was revealed that as the awareness of asset management objectives and guidelines, age of respondents and types of employment increases compliance with asset management principles and guidelines will also increase.

5.3 Conclusion

In order to adopt and apply a proper asset management in the national office of the DOJ & CD, all the frameworks and guidelines needs to be fully implemented. The main findings of the study showed a direct correlation between compliance to asset management and knowledge and awareness of asset management by employees and managers. The national office as the centre of all departmental operations needs to have a clear direction in terms of managing and controlling assets of the department. The department must firstly identify the challenges and map a way to attain opportunities that could deliver clean audit reports and save the department funds. This identification should be established at a strategic level and be disseminated in the form of operational plans to all the units in the department. The

finding on the awareness of asset management compliance need to be met through training of staff across all levels on asset management and ensure that systems are put in place to ensure implementation of the training interventions and to ensure smooth transition of asset management roles. This study presents the department with an opportunity to achieve an improved management of assets as well as unqualified audit reports. Asset management unit and all managers in the office will be well positioned to strengthen their asset management compliance.

5.4 Recommendations regarding staff knowledge on asset management

Since the findings of the study revealed 74.6% staff knowledge on the existence of asset management policy, it is recommended that the department build an increased capacity on the implementation of the policy. Due to the fact that there will always be employee movement from one employer to the other, the department should ensure that there is also continuity on developing knowledge by staff on asset management. The study has also shown there is a significant relationship between compliance with asset management and knowledge by employee ($r = 0.34, p < 0.05$). It is thus recommended that the department should invest in building capacity of staff through training programs. This is because most respondents seem not to have attended courses in asset management. It is therefore recommended that section 45 of the PFMA (South Africa, 1999) be enforced to ensure enhanced knowledge by staff on asset management. For the fact that that there is improvement in asset management since 2008/09 through more appointments of asset controllers and custodians, as well as updating of the asset management policy on 2011, (circular 72 of 2011) the department should build on training and development of asset custodians and controllers. The asset management principle that ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented as mentioned in chapter two of the study serves as a baseline for the national office in improving staff knowledge on asset management.

5.5 Recommendations regarding management knowledge on asset management guiding principles

Asset management compliance has been an audit qualification over the past years in the department. The study revealed that almost 25% of the study respondents were

occupying management and senior management positions meaning that they are in a better position to guide asset management processes in the right direction.

The department has a balanced staff complement led by Chief Director: Supply Chain Management, and the asset management unit led by a Director, two Deputy Directors and, four Assistant Directors and a total of twenty five staff complement dealing with asset management. These are key positions which should be supporting and guiding the department in the management of assets. Therefore it is the duty of the Chief Financial Officer (CFO) to ensure that the procurement, recording and management of assets are done according to the Departmental Financial Instructions (DFI).

According to the findings there is a relationship between compliance with asset management and knowledge by managers ($r = 0.28, p < 0.05$); it is recommended that the Director General should also ensure that section 45 (e) of the PFMA (South Africa, 1999) should be included in the performance plans of all managers as one of the key performance areas (KPA) and that it is weighted as equally important as other performance areas.

The departmental annual report for 2010/11 reported as one of the achievements that by the end of the respective financial year, 40% of the units had asset controllers and that 80% of assets were correctly verifiable on the asset register.. The CFO should also hold the Chief Director for supply chain Management accountable for appointment of custodians and controllers. Although the results of the questionnaire reflect that most units have appointed controllers and custodians, a little was seen in terms of their impact on conduction spot checks and asset verifications. Audits reports pertaining to asset management should be taken very seriously as they have an impact on the overall departmental performance.

In order to achieve these objectives the accounting officer should ensure that chapter 10.1.1.1 of the DFI is implemented.

5.6 Recommendations on the commitment of the department to asset management objectives and principles.

In order for the national office to carry out the asset management function in accordance with the public finance management principles and to attain management objectives it is recommended that:

- 5.6.1 Management team together with asset management unit set up controls to ensure that asset movement is monitored as per section 10.1.3 of the DFI.
- 5.6.2 Audit plans need to be produced and presented to the executive management team by the Director: Asset Management in order to obtain a buy in from the whole management team. These plans should spell out clearly with a checklist what needs to be prepared as well as how to ensure audit readiness for the department.
- 5.6.3 The interface between JYP and BAS need to be revisited by the CFO and expert advice be sort in order to find better ways of aligning the financial and procurement systems of the department.
- 5.6.4 Every chief directorate should be able to produce its asset demand plan and submit to asset management unit at a specific date to be able to consolidate into a national office asset demand plan.
- 5.6.5 In collaboration with the finance unit, the asset management unit should ensure that the correct value of all assets is reflected in the financial statements.

5.7 Recommendations regarding compliance to asset management guidelines

The study revealed that there is a strong relationship between compliance with asset management principles and guidelines with an F value of 18.33. This implies that as the awareness of asset management objectives and guidelines, age of respondents

and types of employment increases compliance with asset management principles and guidelines will also increase. It is recommended that the DG should ensure that asset management audit plans and awareness of asset management compliance be upheld at all times. It has been shown by the results that the level of competence on guidelines and competencies was scored at an average medium. This leads to a recommendation that more strict compliance measures need to be applied as stipulated on the DFI.

The National Treasury technical competency dictionary which is aimed at explaining the skills and knowledge balance in the management of assets, recommends that

- The knowledge is required to carry out efficient and effective movable asset management, and
- The skills are required to carry out efficient and effective asset management,

5.8 Recommendations regarding competencies on asset management

The following are the recommended points to be considered by the department on asset management competencies:

- 5.8.1 The national office should ensure that all units have appointed asset controllers and that the function forms part of their job descriptions.
- 5.8.2 The asset custodians should also be fully appointed and should also have asset management as part of their job descriptions.
- 5.8.3 It is the duty of all managers in their respective units to ensure that all the assets in their control are recorded in the manual asset register.
- 5.8.4 The Director for asset management should ensure that planned asset verification exercises are carried out as required and that reports are submitted and attended to.
- 5.8.4 Asset management plans should be put in place to ensure that there is proper recording of all acquisitions, transfers and disposal as per dictionary on table 5.2 and also as per section 10.1.3 of the DFI.

- 5.8.5 Section 12.13.1 and 12.13.2 of the DFI provides provision on losses and asset and custodians should ensure that when assets are identified as lost, stolen or damaged to irreparable state, compliance in this regard is exercised.
- 5.8.6 Auditing of all barcodes in the national office is recommended as the starting point of the project in order to ensure that they are paired to an existing asset.

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ANNEXURE A: QUESTIONNAIRE

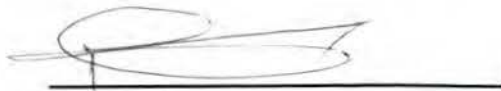
To Whom It May Concern:

My name is Toto R. N. Matshediso and I am currently an MBA student from the University of North West Graduate School.

I am working on an academic research project where I'm evaluating asset management compliance in the national office of the Department of Justice and Constitutional Development. The attached questionnaire is aimed at obtaining information as part of my research in the department. You are therefore requested to complete an **ANONYMOUS** short questionnaire (± 10 minute tick box survey) to assist in this quest to create knowledge.

No names (personal or company) are asked in this questionnaire, hence all data is saved anonymously. Neither I nor any other person will therefore be able to trace the data collected back to any person; it is purely a data collection process.

I will personally collect the respondents' anonymous data from you at our agreed time.



TOTO RN MATSHEDISO

QUESTIONNAIRE

Instructions

Answer by ticking one correct answer in the box

SECTION A: Demographic Profile of the Respondent

1. Gender

Male	
Female	

2. Age of the respondent

17 - 19 yrs	
20 - 29 yrs	
30 - 39 yrs	
40 - 49 yrs	
50 - 59 yrs	
60 - 69 yrs	

3. Marital Status

Single	
Married	
Cohabiting	
Divorced	
Widow/er	

4. Educational level

Matric	
Diploma/Certificate	
National Diploma	
Degree	
Post-Graduate Degree	
Masters	
PhD	

5. Type of employment

Permanent Staff	
Contract Staff	

6. Years of service in the Department

Less than 1 yr	
1-5 yrs	
6-10 yrs	
11-15 yrs	
16 – 20 yrs	
21 yrs and over	

7. Position in the Department

Executive Management	
Senior Management	
Management	
Supervisor	
Clerk\admin staff	
Intern	
Other (specify)	

Section B: Staff knowledge on asset management guiding principles

	Yes	No	Do not Know	Not Sure
Does your department have a supply chain management policy?				
Does your department have an asset management policy?				
Does your directorate have an appointed asset custodian?				
Does your directorate have an appointed asset controller?				
Are you conversant with the processes and expectations of asset management?				
Is your department capable of controlling and manage assets well?				
Is there enough human resource capacity in the department with regard to asset management?				
Is the department performing according to principles as stipulated in the asset management policy?				
Did you attend any training / workshop on the Supply Chain Management/asset management Policy?				
Are you conversant with the application of supply chain management tools in your department?				
Is your department aware of staff knowledge in the management of its assets?				
Is there anything you wish could be done to improve on your departmental assets management?				

Section C: Management knowledge on asset management guiding principles

	Yes	No	Do not Know	Not Sure
Does your department have a supply chain management policy?				
Does your department have an asset management policy?				
Does your directorate have an appointed asset custodian?				
Does your directorate have an appointed asset controller?				
Do managers have asset management as part of their performance contracts?				
Do managers take asset management seriously?				
Managers do afford asset custodians, controllers and verifiers time to carry their functions and takes a lead in compliance matters				
Do managers when preparing for audits focus also on asset management?				
Managers are good in detecting any risks regarding asset management compliance				
Managers have updated record of all assets in their directorates				
Audit reports on asset management are taken seriously and responded to				
Is the department performing according to principles as stipulated in the asset management policy				

Section D: Asset Management objectives

Asset Management objectives	Awareness		Level of compliance		
	Yes	No	High	Medium	Low
Proper asset management systems put in place					
All assets under control of the department are duly identified and documented					
There is safeguarding measures for all assets in the custody of the department					
Asset registers contain information on identity, acquisition, financial information and accountability information of all assets					
Proper control measures in place for asset movement in and out of office					
Audit plans produced on asset management and adhered to					
Clear segregation of duties between Asset Controllers and Asset Custodians					
All asset recording done on JYP system by authorized personnel					
Asset demand and acquisition plan produced					
Current assets included under current expenditure on the annual financial statements					
The management and use of departmental assets is controlled by the Custodian through JYP					

Section E: Guidelines and competencies on asset management

Guidelines	Awareness		Level of compliance		
	Yes	No	High	Medium	Low
Asset controllers are appointed in writing and have assets as part of their job descriptions					
Asset custodians are appointed in writing and have asset management as part of their job descriptions					
Ensure that all allocated assets are recorded on the manual asset register					
Ensure that all assets are updated and recorded on the JYP system					
Is the department performing according to principles as stipulated in the asset management policy					
Asset register contain all information as per requirements					
Quarterly asset verification done in your section/directorate and reported					
Recording of assets acquisition, transfer and disposal done					
Asset loss control procedures in place					
All assets tagged by unique barcode affixed and recorded to JYP					
Asset management unit in National Office do asset spot checks					

Thank you for your time



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

Private Bag x81, PRETORIA, 0001 • SALU Building, 225 Thabo Sehume Street, c/o Thabo Sehume and Schoeman streets, PRETORIA • Tel: +2712 406 4817 • Fax: 086 500 3351

Ref: 2/1/1/1
Enq: Dr K De Wee
E-mail: kdewee@justice.gov.za

Mr T Matshediso
869 Oudsthoorn Street
WINGATE PARK
0153

e-mail: toto.matshediso@gmail.com

Dear Mr Matshediso

RE: REQUEST FOR APPROVAL TO CONDUCT RESEARCH IN THE DEPARTMENT

I acknowledge receipt of your letter dated 12 November 2012. The contents have been noted.


It is my pleasure to inform you that I have approved your request after consultation with the Head of Supply Chain Management in the Department.

Kindly take note that the staff of the Department will be able to assist you in so far as their work pressure allow. I therefore approve on condition that the findings of your research will be shared with the Department.

Any sensitive information relating to the work of the Department will only be shared with the relevant audience after the Department has been consulted.

I wish you well in your future endeavor.

Yours sincerely,


Dr Khotso De Wee

Chief Operations Officer: Department of Justice and Constitutional Development

Date: 21/11/2012