

# **MSUKALIGWA LOCAL MUNICIPALITY**



## **ASSET MANAGEMENT STRATEGY**

**Date: 1 July 2024**

**Council Resolution number: LM\_\_\_\_\_**

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## IMMEDIATE AND SHORT-TERM ACTIONS

| Focus Areas                | Key Activities   | Timelines   | Responsibility           | Deliverables (POEs)                                       | Progress          | Challenges | Remedial Action |
|----------------------------|--|-------------|--------------------------|---|-------------------|------------|-----------------|
| Institutional arrangements | Establish an Asset Steering Committee, comprising of GM, Infrastructure, Project Manager: Roads and Transportation, Project Manager: Electricity, CFO, Senior Manager: Assets & Liabilities, Project Manager: Land Fill Site, Manager: Project Management Unit, etc. | 1 July 2024 | Municipal Manager        | Appointment letters, Minutes of Asset steering committee  | Reference to TORs |            |                 |
|                            | Create awareness of the Integrated Approach of Municipal Asset Management to Senior Management of the municipality   | 1 May 2024  | Municipal Manager        | Minutes of meetings with Senior Management                |                   |            |                 |
|                            | Create awareness of the Integrated Approach of Municipal Asset Management to Political Leadership and political structures   | 15 May 2024 | Executive Mayor          | Minutes of municipal council and attendance registers     |                   |            |                 |
|                            | Develop or review the municipal asset management strategy by using the PT guidelines   | Annually    | Asset Steering Committee | Council resolution and approved asset management strategy |                   |            |                 |

|  |   |             |  |   |           |  |  |
|--|---|-------------|--|---|-----------|--|--|
|  | Develop or review the municipal asset management policies in line with municipal asset management strategy  | Annually    | Chief Financial Officer                | Council resolutions and approved policies   |           |  |  |
|  | Develop or review the standard asset operating procedures (SOPs) to strengthen internal controls  | Annually    | CFO, All Heads of Departments          | Approved SOPs   |           |  |  |
|  | Develop or review job descriptions in line with the approved SOPs   | Completed   | CFO, All Heads of Departments          | Approved job descriptions   | Completed |  |  |
|  | Allocate resources (human, assets and financial) and capabilities for the implementation of the municipal asset management strategy.  | Annually    | Budget Steering Committee              | Approved budget and organisational structure  |           |  |  |
|  | Incorporate asset management strategy implementation as KPI on the Asset Management Committee as per laid out TORs  | Annually    | Municipal Manager                      | Approved SDBIP  |           |  |  |
|  | <p>Develop a municipal asset risk plan and communicate to all Business units e.g.</p> <ul style="list-style-type: none"> <li>• Unauthorised access of assets: Only authorised personnel should be allowed in areas where expensive equipment is kept;</li> <li>• Only authorised personnel should be allowed to operate plant or vehicles;</li> </ul> | 1 July 2024 | Municipal Manager, CFO and risk office | <p>Developed asset management risk plan</p> <p>Minutes of meeting to all business units</p> |           |  |  |

## PHYSICAL LAND PLANNING AND URBANIZATION

| Focus Areas   | Key Activities  | Timelines   | Responsibility                  | Deliverables (POEs)                        | Progress | Challenges | Remedial Action |
|---|---|-------------|---------------------------------|--|----------|------------|-----------------|
| <p><b><i>Physical land planning and urbanization</i></b></p> <p><b>Overview:</b> It is much harder to improve services provision once settlements have been established without planning, than to anticipate growth and proactively provide subdivisions of land with public utility services (both public and private) at affordable rates for the expected population. The more information is available to the public and the auditing authorities about special zones to protect river basins, mountain slopes, geologically unstable areas, flooding, protection of special habitats for animals and plants, etc. the more likely these areas will not be converted (by corrupt means in some cases), to residence zones that endanger not only the uninformed buyers and future residents of these areas, but also the neighboring residents. Negative impacts could be caused by changes in the proximity and characteristics of the river basins and proximity to unstable mountain slopes, coastal regions or buffer zones.</p> <p><b>Minimum fixed asset register information required:</b></p> <p><b>Number of plot according to national, state or local classification, Location, Address,</b> Geographical Coordinates, Zoning laws applicable, other current or potential national or local uses, Tax codes, Legal ownership., Site description, Size, front, depth, dimensions, map reference, Topography of site, Soil mechanical conditions (if applicable and available), Flooding conditions, Environmental services, hazards, Site improvements, Road, Utilities access</p> <p><b>Construction and use details,</b> Buildings, Buildings areas, service area, usable area by categories, Properties, Other physical elements (e.g. overhead power cables)</p> <p><b>Financial valuation, revenues and costs,</b> Land value, Building Value(s) for each category, Fixed equipment and Improvements value(s), Yearly cost of administration and maintenance (assigned and aggregate), Yearly rents, leases, other fees received</p> |   |             |                                 |  |          |            |                 |
| <b>Fixed asset register</b>   | Review or develop a land based asset management strategy (e.g Town Planning)                          | 1 July 2024 | Disposal Committee Director PED | Approved land base strategy by Council     |          |            |                 |
|   | Create awareness of the land based asset management strategy to Senior Management of the municipality | 1 July 2024 | Municipal Manager               | Minutes of meetings with Senior Management |          |            |                 |

|  |                    |   |   |  |  |  |
|--|--------------------|---|---|--|--|--|
| Create awareness of the land based asset management strategy to Political Leadership and political structures  | 1 July 2024        | Community , Political leaders, Municipal Council and Traditional Leaders  | Public participation attendance registers and approved schedule of meetings |  |  |  |
| Appointment of independent valuator (Promotion of Access to Information Act, Act 2 of 2000)  | Once every 3 years | Chief Financial Officer, Technical Head and Head of Department - Planning | Appointed Valuator  |  |  |  |
| Interface town planning records with valuation roll system   | 1 September 2024   | Chief Financial Officer, Technical Head and Head of Department - Planning | Approved SOPs and interface reports   |  |  |  |
| Reconcile valuation roll with fixed asset register   | Annually           | Chief Financial Officer   | Reviewed fixed asset register   |  |  |  |
| Conduct property use audit to determine and verify the zoning or rezoning of properties in terms of the land use management scheme or town planning scheme | Annually           | Director PED  | Property use audit report   |  |  |  |

## ASSET MANAGEMENT UNIT

| Focus Areas  | Key Activities   | Timelines | Responsibility                  | Deliverables (POEs)             | Progress | Challenges | Remedial Action |
|--|--|-----------|---------------------------------|---------------------------------|----------|------------|-----------------|
| Asset Management Unit  |  |           |                                 |                                 |          |            |                 |
| The CFO shall be responsible for the operation and management of the Asset Management Unit (AMU). Under the guidance of the MM |  |           |                                 |                                 |          |            |                 |
|  | Keeping of complete asset records, which are verified and balanced on a regular basis.   | Monthly   | Chief Financial Officer and AMU | Verification plan and outcome   |          |            |                 |
|  | Proper tagging and accountability of all movable assets where applicable (vehicle number plates and other unique identifiers if available and traceable).  | Monthly   | Chief Financial Officer and AMU | Barcoding and unique identifier |          |            |                 |
|  | Compiling an asset verification report, upon completion of the asset verification process, that will: <ul style="list-style-type: none"> <li>• Reflect a complete list of all assets found during the verification;</li> <li>• Reflect assets that are on the register but not found on the floor;</li> <li>• Reflect assets that are on the floor but not found in the asset register;</li> </ul> | Annually  | Chief Financial Officer and AMU | Detail verification report      |          |            |                 |

|  |  |          |  |   |  |  |  |
|--|--|----------|--|---|--|--|--|
|  | <ul style="list-style-type: none"> <li>• Reflect any discrepancies between the assets found during verification and the complete record referred to above. Also provide reasons for difference and document future prevention plan.</li> </ul> |          |  |   |  |  |  |
|  | Monthly balancing of the asset management system (asset register) with the general ledger and the financial statements.  | Monthly  | Chief Financial Officer and AMU                        | Updated asset register balanced to general ledger |  |  |  |
|  | Collection of information from relevant units to determine useful lives of assets for the calculation of depreciation.   | Monthly  | Chief Financial Officer and AMU                        | Updated asset register balanced to general ledger |  |  |  |
|  | Allocation of additions to the correct asset classification.   | Monthly  | Chief Financial Officer, Department Heads, SCM and AMU | Accurate MSCOA classification                     |  |  |  |
|  | Prior to scrapping of an obsolete or damaged asset(s) or asset inventory item(s), a completed asset disposal form, countersigned by the Asset Management Unit, must be presented.  | Annually | Chief Financial officer, AMU                           | Accurate disposal register                        |  |  |  |

|  |   |                          |                              |                            |                         |  |  |
|--|---|--------------------------|------------------------------|----------------------------|-------------------------|--|--|
|  | Keeping of verifiable records of obsolete, damaged and unused assets and/ or asset inventory items received from Business Units.  | Annually                 | Chief Financial officer, AMU | Accurate disposal register |                         |  |  |
|  | <p>Compiling a list of the items to be auctioned or disposed of accordance with the guidelines in the Supply Chain Management (SCM) Policy.</p> <ul style="list-style-type: none"> <li>• Compiling and circulating a list of unused assets to enable other Strategic Business Units to obtain items that are of use to them.</li> </ul> | Annually                 | Chief Financial officer, AMU | Accurate disposal register |                         |  |  |
|  | Notification to Supply Chain Management of any assets / inventory items to be disposed of or to be written-off  | Annually                 | Chief Financial officer, AMU | Updated records            |                         |  |  |
|  | Appointment of audit support team for assets to resolve all audit queries in a timely manner  | Half yearly and annually |                              | Chief Financial Officer    | Resolved audit quarries |  |  |

## SUPPLY CHAIN MANAGEMENT (SCM) AND EXPENDITURE UNIT

| Focus Areas  | Key Activities  | Timelines | Responsibility  | Deliverables (POEs)                                     | Progress | Challenges | Remedial Action |
|--|---|-----------|---|---|----------|------------|-----------------|
| Supply Chain Management (SCM) and expenditure unit | Matching of invoices to the goods received note.  | Monthly   | Chief Financial Officer, Senior Manager SCM   | Accurate asset received                                 |          |            |                 |
|  | Dispose of assets in accordance with the provisions in the Supply Chain Management (SCM) Policy, MFMA and Municipal Asset Transfer Regulations.   | Annually  | Chief Financial Officer, Senior Manager SCM   | Accurate disposal of assets                             |          |            |                 |
|  | Development and review of asset demand plan in line with IDP and budget <ul style="list-style-type: none"> <li>• New assets</li> <li>• Replacement of assets</li> <li>• New infrastructure</li> <li>• WIP</li> </ul> Provide information to AMU | Annually  | Chief Financial Officer, Senior Manager SCM<br>All Senior Managers and risk managers of units | Accurate procurement process and updated asset register |          |            |                 |

## ALL BUSINESS UNITS

| Focus Areas        | Key Activities   | Timelines   | Responsibility  | Deliverables (POEs)                                 | Progress | Challenges | Remedial Action |
|--------------------|--|-------------|---|---|----------|------------|-----------------|
| All Business Units | Adherence to the approved Asset Management Policies by all employees in their Departments.   | Day to day  | All business unit                                       | Accurate asset management processes                 |          |            |                 |
|                    | Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in his / her Department. The Asset Management Unit must be notified of who the responsible person is. Although authority has been delegated, the responsibility to ensure adequate physical control over each asset remains with the manager of the Department. | 1 July 2024 | Senior Managers   | Responsible managers for assets appointment letters |          |            |                 |
|                    | Proper maintenance of assets in accordance to their respective asset maintenance plans.  | Daily       | Senior Management<br>Appointed asset controller in unit | Maintained assets                                   |          |            |                 |

|  |            |   |   |  |  |  |
|--|------------|---|---|--|--|--|
| Protect assets and / or inventory items of the Municipality against private usage / gain.  | Day to day | Senior Management<br>Appointed asset controller in unit | Safeguarding of assets                        |  |  |  |
| Compliance to barcoding on all movable assets as reflected on the Assets Management  | Monthly    | Senior Management<br>Appointed asset controller in unit | Asset barcoding in line with inventory lists  |  |  |  |
| Notification of any changes in the status of the assets under the Department's control to the Asset Management Unit  | Day to day | Senior Management<br>Appointed asset controller in unit | Updated asset register / condition assessment |  |  |  |
| Certify in writing that they have assessed and identified impairment losses on all assets at year end when impairment indicators have been triggered. GRAP 21.20 and GRAP 26.20. | Annually   | Senior Management<br>Appointed asset controller in unit | Accurate impairment of assets                 |  |  |  |

|  |                           |   |  |  |  |  |
|--|---------------------------|---|--|--|--|--|
| All obsolete and damaged asset items accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Unit without delay. | Annually                  | Senior Management<br>Appointed asset controller in unit | Updated condition assessment / disposal register   |  |  |  |
| Shall be responsible for maintaining and managing their own Inventory Listing (DIL)  | Day to day                | Senior Management<br>Appointed asset controller in unit | Identification of assets not classified and recorded on asset register (private assets also) |  |  |  |
| Verify that the correct cost element and descriptions are being used before authorising any requisitions.  | Day to day                | Senior Management<br>Appointed asset controller in unit | Accurate classification of assets in line with MSCOA   |  |  |  |
| Prevent the usage of any asset until the asset number is allocated, the asset is bar-coded and insured through the Asset Management Unit (Insurance Department).   | Day to day<br><br>Monthly | Senior Management<br>Appointed asset controller in unit | Barcoding and recording of assets (accurate asset register)                                  |  |  |  |

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| Provide a report monthly on new assets procured to the AMU |  |  |  |  |  |  |
|--|--|--|--|--|--|--|

## PROJECT MANAGEMENT UNIT

| Focus Areas             | Key Activities   | Timelines | Responsibility | Deliverables (POEs)                    | Progress | Challenges | Remedial Action |
|-------------------------|--|-----------|----------------|--|----------|------------|-----------------|
| Project Management Unit | Provision of information to the Asset Management Unit regarding all projects, from inception to completion   | Monthly   | PMU            | Updated asset register and WIP         |          |            |                 |
|                         | Monthly or as and when needed updates regarding all progress payments effected on each contract, as per schedules supplied to the Asset Management unit.                                       | Monthly   | PMU            | Updated fixed asset register and WIP   |          |            |                 |
|                         | Provide the Assets Management Unit with the details of all components of any infrastructure created, including values and estimated life span, on an ongoing basis as and when required.       | Monthly   | PMU            | Accurate de-componentization of assets |          |            |                 |
|                         | Inform the Assets Management Unit when the work in progress is completed, and supply a copy of the relevant completion certificates, As-built drawings, Bill of Quantity and Close-Out Report. | Monthly   | PMU            | Accurate transfer of assets            |          |            |                 |

## PRE-ACQUISITION PLANNING

| Focus Areas   | Key Activities   | Timelines | Responsibility  | Deliverables (POEs)                            | Progress | Challenges | Remedial Action |
|---|--|-----------|---|--|----------|------------|-----------------|
| <p><b>Pre-Acquisition Planning</b><br/>                     Acquisition of assets refers to the purchase of assets by buying, building (construction) or leasing. The CFO shall ensure that the Supply Chain Management (SCM) Policy makes provision for principles prescribing the acquisition of assets. The CFO shall furthermore ensure that all acquired assets are appropriately insured.</p> |  |           |   |  |          |            |                 |
| Pre-Acquisition Planning  | Preparation of cost for acquisition or leasing of fixed assets <ul style="list-style-type: none"> <li>• The projected acquisition and implementation cost over all the financial years until the project is operational,</li> <li>• The future operational costs and revenue on the project, including tax and tariff implications</li> <li>• The financial sustainability of the project over its economic life span including revenue generation and subsidization requirements</li> <li>• The physical and financial stewardship of the asset through all stages in its life span including acquisition, installation, maintenance, operations, disposal and rehabilitation</li> <li>• The Chief Financial Officer is accountable to ensure that</li> </ul> | Annually  | Chief Financial Officer, Technical Head and Head of Department - Planning | Acquisition plan for infrastructure and leases |          |            |                 |

|  |  |          |  |                                  |  |  |  |
|--|--|----------|--|----------------------------------|--|--|--|
|  | the relevant responsible persons receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements |          |  |                                  |  |  |  |
|  | The inclusion of the capital project in the Integrated Development Plans and future budgets.   | Annually | Municipal Manager<br>Chief Financial Officer,<br>Department - Planning | Acquisition plan included in IDP |  |  |  |

## NEW CAPITAL PROJECTS

| Focus Areas          | Key Activities   | Timelines | Responsibility   | Deliverables (POEs)                          | Progress | Challenges | Remedial Action |
|----------------------|--|-----------|--|--|----------|------------|-----------------|
| New Capital Projects | <p>Capital Works Project Form must be completed for all projects by the Department responsible for the Capital Project (<b>Example Annexure D</b>)</p> <ul style="list-style-type: none"> <li>The Capital Works project form must be signed by the responsible official in the Department as proof that the new project has been authorised.</li> <li>The authorised capital works project form must be forwarded to the AMU.</li> </ul> | Monthly   | Head Project Management<br>Chief Financial Officer and AMU | Recorded capital work project in AMU         |          |            |                 |
|                      | <p>The assets controller must review the form to ensure that the details are correct and that the form has been duly authorised.</p> <ul style="list-style-type: none"> <li>If the assets controller is satisfied that the form has been correctly completed and authorised, the asset controller must create the asset on the assets management system.</li> <li>The asset number should be recorded on the form and the</li> </ul>     | Monthly   | Chief Financial Officer, AMU and SCM (budget)              | Capital work recognition in asset management |          |            |                 |

|  |         |                                 |  |  |  |  |
|--|---------|---------------------------------|--|--|--|--|
| <p>form should be signed and dated by the asset controller.</p> <ul style="list-style-type: none"> <li>• The capital works project form with asset number recorded thereon should be filed sequentially by the AMU and a copy should be forwarded to the Department requesting the creation of the new project.</li> </ul>   |         |                                 |  |  |  |  |
| <p>The Accountant: Asset Management must maintain a register of all approved purchase orders together with a file containing copies of the purchase orders.</p> <ul style="list-style-type: none"> <li>• The Accountant: Asset Management should review the purchase order register on a regular basis to ensure that long outstanding purchase orders are investigated and followed up on with the Procurement department.</li> </ul> | Monthly | AMU                             | Register for all capital assets with documentation proof |  |  |  |
| <p>The Senior Accountant: Asset Management must review the pending file of Purchase Orders (PO) on a weekly basis to ensure that long outstanding orders are followed up on.</p>   | Monthly | Chief Financial Officer and AMU | Updated records on purchase orders                       |  |  |  |

## RECORDING CAPITAL PROJECTS ON THE FIXED ASSET REGISTER

| Focus Areas                           | Key Activities   | Timelines | Responsibility                  | Deliverables (POEs)   | Progress | Challenges | Remedial Action |
|---------------------------------------|--|-----------|---------------------------------|---|----------|------------|-----------------|
| Recording Capital Projects on the FAR | On a monthly basis the Asset Management unit in consultation with the Project management unit must create an Excel spreadsheet detailing all new capital projects created for the month.   | Monthly   | AMU and Project management unit | Recording of all new capital projects   |          |            |                 |
|                                       | <p>The Project Management Unit sends a SDBIP report for the preparation of the new capital projects spreadsheet by the AMU.</p> <ul style="list-style-type: none"> <li>•The spreadsheet detailing new capital projects may contain the following:                             <ul style="list-style-type: none"> <li>○ Asset description and class,</li> <li>○ Budgeted cost of asset,</li> <li>○ Cost incurred on the project,</li> <li>○ Asset number,</li> <li>○ Vote /WBS number,</li> <li>○ Serial number / Registration number / Title deed number, GPS Coordinates</li> <li>○ Project start date,</li> <li>○ Project end date,</li> <li>○ Project details, and</li> </ul> </li> </ul> | Monthly   | Project management unit         | Updated information to be included in the register for Project Progress Schedules |          |            |                 |

|  |         |   |   |  |  |  |
|--|---------|---|---|--|--|--|
| ○ Comments.  |         |   |   |  |  |  |
| The spreadsheet must be sent electronically to the AMU requesting them to update the Assets Management System with the new capital project.  | monthly | AMU   | Updated Project Progress Schedules                    |  |  |  |
| On completion of the monthly updates to the Assets Management System, the Asset Management Unit must send a report to the Expenditure Control Office, listing all capital projects under construction (WIP).   | monthly | AMU and expenditure unit                                    | Updated WIP   |  |  |  |
| On completion of the monthly updates to the Project Progress Schedules the Project Management Unit must send a report to the Asset Management Unit, Expenditure Control Office, detailing all capital expenditure in respect of capital projects that need to be updated to the Assets Management System. The report must include the following minimum information: <ul style="list-style-type: none"> <li>• Asset number,</li> <li>• Description of additions (components),</li> </ul> | Monthly | Project management unit, expenditure control office and AMU | Updated asset project information on financial system |  |  |  |

|   |         |                                  |  |  |  |  |
|---|---------|----------------------------------|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Date of additions,</li> <li>• Amount of expenditure (excluding claimable VAT),</li> <li>• Estimated remaining life of asset, and</li> <li>• Serial numbers (if any).</li> </ul>  |         |                                  |  |  |  |  |
| <p>The Expenditure Control Office must review the report of new projects from the Project Management Unit and agree the details to the Excel spreadsheets and actual expenditure recorded in the financial system (reconciliation). Any discrepancies must be timeously followed up and resolved.</p> | Monthly | Expenditure Control unit and PMU | Accurate project progress information  |  |  |  |
| <p>The Expenditure Control Office must then forward the capital expenditure details to the Asset Management Unit on a monthly basis for updating in the Assets Management System.</p>   | Monthly | Expenditure control unit and PMU | Updated asset capital project register |  |  |  |

## CAPITALISATION OF ASSETS

| Focus Areas   | Key Activities   | Timelines | Responsibility          | Deliverables (POEs)                          | Progress | Challenges | Remedial Action |
|---|--|-----------|-------------------------|--|----------|------------|-----------------|
| <p><b>Capitalisation of Assets</b></p> <p>Assets will only be capitalised in the asset register on completion or finalization of the project.</p> <p>Projects to be completed over more than one financial year will be initially disclosed in the asset register and financial statements as work in progress (WIP) thereafter only on completion the asset will be capitalised and depreciated.</p> <p>All relevant spatial information must be provided in electronic format (cad, pdf, dwg or shp) for capital projects that have been completed.</p> |  |           |                         |  |          |            |                 |
| Capitalisation of Assets  | The PMU must send a copy of the Completion Certificate for each project to the Asset Management Unit, when issued, for capitalisation of the asset at the date it is brought into use, and calculation of depreciation, and costing to the relevant Business Unit. | Monthly   | Project Manager and AMU | Updated asset register                       |          |            |                 |
|   | The Bill of Quantities must be provided to facilitate componentisation of the assets.  | Monthly   | Project Manager and AMU | Componentisation of assets in asset register |          |            |                 |

## ASSET CLASIFICATION (MSCOA)

| Focus Areas   | Key Activities | Timelines | Responsibility | Deliverables (POEs) | Progress | Challenges | Remedial Action |
|---|----------------|-----------|----------------|---------------------|----------|------------|-----------------|
| <p><b>Asset Classification (MSCOA)</b></p> <p>In compliance with National Treasury as well as GRAP regulations, the CFO shall ensure that all assets are classified under the following asset categories.</p> <p>Assets will be classified in to the following asset types in accordance with the relevant definitions detailed in the Asset Management Policy.:</p> <p>Property Plant and Equipment (GRAP 17)</p> <p>Land and Buildings (land and buildings not held as investment),</p> <p>Infrastructure Assets (assets which are part of a network of similar assets, immovable assets that are used to provide basic services),</p> <p>Electricity</p> <p>Gas</p> <p>Sewerage</p> <p>Road</p> <p>Pedestrian malls</p> <p>Airports</p> <p>Security measures</p> <p>Water</p> <p>Buildings</p> <p>Community Assets (resources contributing to the general well-being of the community),</p> <p>Buildings</p> <p>Recreational facilities</p> <p>Security</p> <p>Other Assets (utilised in normal operations):</p> <p>Emergency equipment</p> <p>Office equipment</p> <p>c) Furniture and fittings</p> |                |           |                |                     |          |            |                 |

- d) Bins and containers
- e) Motor vehicles
- f) Aircraft
- g) Watercraft
- h) Plant and equipment

Leased Assets (assets held in terms of finance leases) (GRAP 13),  
 Heritage Assets (culturally significant resources) (GRAP 103),  
 Intangible Assets (GRAP 31),  
 Investment Property (GRAP 16), and  
 Agricultural Assets (GRAP 27).

Asset decision tree, illustrated in Annexure H shall be applied when determining the relevant asset types.

|                                |  |          |               |  |  |  |  |
|--------------------------------|--|----------|---------------|--|--|--|--|
| ASSET<br>CLASIF<br>ICATIO<br>N | CFO to inform Business Units of the classification requirements  | Annually | CFO           | Written letter to all business units                     |  |  |  |
|                                | Heads of Business Units shall in writing provide the CFO with information or assistance required to compile a proper classification of all assets. (MSCOA) | Monthly  | Head of units | Asset classification information from all business units |  |  |  |
|                                | CFO and AMU to develop a concept document on useful life classification and revaluation of assets. (market cost can be utilized)                           | Annually | CFO and AMU   | Useful life concept document                             |  |  |  |

## DONATED ASSETS

| Focus Areas  | Key Activities   | Timelines | Responsibility            | Deliverables (POEs)                                    | Progress | Challenges | Remedial Action |
|--|--|-----------|---------------------------|--|----------|------------|-----------------|
| <p><b>Donated Assets</b></p> <p>A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.</p> <p>Donated assets should be measured at fair value, reflected in the asset register, and depreciated as normal assets.</p> |  |           |                           |  |          |            |                 |
|  | The CFO must be informed of any donation to the municipality as and when it take place | Monthly   | All business units<br>CFO | Updated donation register received in a financial year |          |            |                 |

|  |   |                |  |                              |  |  |  |
|--|---|----------------|--|------------------------------|--|--|--|
|  | <p>The CFO must make a submission to MM to accept donation (all relevant documentations must be provided e.g. fair value useful life e.t.c)</p>   | <p>Monthly</p> | <p>Municipal Manager<br/>CFO<br/>Council</p> | <p>MM to accept donation</p> |  |  |  |
|  | <p>Donated assets must initially be measured at cost. However where cost is not available the municipality will need to use fair value, at the date of acquisition, and included on the AR</p> <ul style="list-style-type: none"> <li>• Where the value of the asset is known, such value shall be included in</li> </ul> | <p>monthly</p> | <p>CFO and AMU</p>                           | <p>Updated AR</p>            |  |  |  |

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  | the register in<br>line with<br>recognition<br>criteria.<br>GRAP 17.18 |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

## MOVABLE ASSET BARCODING AND ALLOCATION

| Focus Areas                        | Key Activities   | Timelines  | Responsibility     | Deliverables (POEs)                 | Progress | Challenges | Remedial Action |
|------------------------------------|--|------------|--------------------|-------------------------------------|----------|------------|-----------------|
| Movable Asset Barcoding Allocation | <p>Department procuring the asset is required to complete a Purchase of Asset form (Refer to Annexure E). The Purchase of Asset forms must include following information and all relevant supporting documentation must be attached:</p> <ul style="list-style-type: none"> <li>• Requisition</li> <li>• Approved quotation</li> <li>• Type-1 Pro Forma</li> <li>• Award letter</li> </ul> | Day to day | All business units | Purchase asset form                 |          |            |                 |
|                                    | <p>The AMU is responsible for verifying that all necessary information is supplied with signatures, cost-centres and budgets (must be available)</p> <p>If budgets are not provided the "Purchase of Asset" form will not be processed and will be</p>   | Day to day | CFO and AMU        | Accurate procurement form of assets |          |            |                 |

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| returned to the relevant Business Unit.  |            |     |                 |  |  |  |
| If all the necessary information has been provided the receipt of asset will be processed and a barcode allocated. (municipality must have a secure barcoding system) AMU submit barcode information to relevant business unit | Day to day | AMU | Barcoded assets |  |  |  |

## MAINTENANCE OF ASSETS

| Focus Areas           | Key Activities  | Timelines  | Responsibility         | Deliverables (POEs)                                | Progress | Challenges | Remedial Action |
|-----------------------|---|------------|------------------------|--|----------|------------|-----------------|
| Maintenance of Assets | Repairs and Maintenance as 8% of Property, Plant and Equipment and Investment Property (Carrying Value)   | Annually   | CFO                    | Maintenance budget allocated                       |          |            |                 |
|                       | <p>The Heads of Business Units are responsible for the control and utilisation of infrastructure assets shall monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses must include all labour and material costs for the repair and maintenance of the assets. This includes both contracted services and services performed by employees.</p> <p>The Heads of Business Units shall ensure that the operating expenses are expended</p> | Day to day | Head of Business Units | Accurate classification of maintenance expenditure |          |            |                 |

|   |          |                                |   |  |  |  |
|---|----------|--------------------------------|---|--|--|--|
| against the operating budget and not the capital budget   |          |                                |   |  |  |  |
| <p>The Heads of Business Units shall report to the Council annually of the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance</p> <p>The Heads of Business Units shall report to the Council annually on the likely effects that maintenance budgetary constraints may have on the useful operating life of the infrastructure asset classes</p> | Annually | Head of Business Units and CFO | Council minutes and report on maintenance |  |  |  |
| <p>The Heads of Business Units shall ensure that maintenance plans make provision for the additional maintenance burden of future infrastructure to be acquired</p>   | Annually | Business units and CFO         | Maintenance plan                          |  |  |  |

## RENEWAL OF ASSETS

| Focus Areas  | Key Activities  | Timelines | Responsibility     | Deliverables (POEs)                        | Progress | Challenges | Remedial Action |
|--|---|-----------|--------------------|--|----------|------------|-----------------|
| <p><b>Renewal of Assets</b></p> <p>Asset Renewal is the restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial UL of the asset. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.</p> <ul style="list-style-type: none"> <li>• If the service provided by the asset is still required at the end of its UL, the asset must be renewed. However, if the service is no longer required, the asset should not be renewed.</li> <li>• Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.</li> </ul> |   |           |                    |  |          |            |                 |
|  | CFO, in consultation with Heads of Business Units, develop process to be implemented to capture renewals data against specific assets and to capitalize it correctly. | Annually  | CFO Business units | Develop plan to renew asset useful life    |          |            |                 |
|  | CFO and AMU to review regularly the condition of assets and implementation of the renew asset useful life plan  | Annually  | CFO and AMU        | Monitoring of renew asset useful life plan |          |            |                 |

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|--|-----------------|---|--|--|--|--|
| <p>Heads of Business Units must ensure that renewals expenditure are correctly budgeted for in the capital budget, demand plan and expended against this budget.</p> | <p>Annually</p> | <p>Budget Management and Business units</p> | <p>Accurate budget allocation for extended useful life of assets</p> |  |  |  |
| <p>Budget and Heads of Business Units must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.</p>      | <p>monthly</p>  | <p>Budget Management and Business units</p> | <p>Accurate budget allocation for extended useful life of assets</p> |  |  |  |

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**CHIEF FINANCIAL OFFICER**

\_\_\_\_\_  
**MUNICIPAL MANAGER**

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**DATE**

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