



**AMMENDED  
ASSET MANAGEMENT POLICY**

**1 JULY 2026 – 30 JUNE 2027**

**MSUKALIGWA**

**LOCAL MUNICIPALITY**

**(MP 302)**

## **Table of Contents**

<b>1. PREAMBLE</b> .....	<b>4</b>
<b>2. DOCUMENT DEFINITION</b> .....	<b>4</b>
2.1 Review .....	4
2.2 Background .....	4
2.3 Effective Date .....	5
<b>3. TERMINOLOGY</b> .....	<b>5</b>
3.1 Definitions.....	5
<b>4. POLICY STATEMENT</b> .....	<b>8</b>
4.1 Introduction.....	8
4.2 Overall Objectives.....	8
4.3 Communication.....	8
4.4 Responsibility.....	8
4.5 Availability.....	8
<b>5. LEGISLATIVE FRAMEWORK</b> .....	<b>8</b>
<b>6. ACCOUNTABILITIES AND RESPONSIBILITIES</b> .....	<b>9</b>
<b>7. FINANCIAL MANAGEMENT</b> .....	<b>11</b>
7.1 Disposal of Property, Plant and Equipment.....	11
7.2 Loss, Theft, Destruction or Impairment of Fixed Assets .....	12
<b>8. INTERNAL CONTROL</b> .....	<b>12</b>
8.1 Asset Registers.....	12
8.2 Bar-Coding / Marking of Assets .....	13
8.3 Financial Components of the Asset Register.....	14
8.4 Physical Receipting and Management .....	15
8.5 Transfers to Another Asset Manager .....	17
8.6 Reconciliation of Assets.....	17
8.7 Verification of Fixed Assets.....	17
8.8 Room Lists.....	18
<b>9. MANAGEMENT OF ASSETS</b> .....	<b>18</b>
9.1 Management and Operation of Property, Plant and Equipment .....	18
9.2 Safeguarding of Assets.....	18
9.3 Insurance of Assets .....	19
9.4 Contents of a Strategic Asset Management Plan.....	19
9.5 Reporting on Emerging Issues.....	19
<b>10. CLASSIFICATION, AGGREGATIONS AND COMPONENTS</b> .....	<b>19</b>
10.1 Classification of Property, Plant and Equipment.....	19
10.2 Investment Property.....	19
10.3 Inventory Asset.....	20
10.4 Optional Treatment for Major Component.....	20
10.5 Recognition of Network Asset .....	21

10.6	Recognition of Heritage Assets in the Assets Register.....	21
10.7	Biological Assets.....	21
<b>11.</b>	<b>ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT .....</b>	<b>22</b>
11.1	Recognition of Property, Plant and Equipment.....	22
11.2	Initial Measurement.....	22
11.3	Donations or Exchanges.....	22
11.4	Assets held under leases.....	22
11.5	Recognition (Capitalisation) Threshold .....	23
11.6	Carrying Amount on Property, Plant and Equipment.....	23
11.7	Depreciation .....	23
11.8	Impairment Losses.....	23
11.9	Initial Determination of Useful Life.....	24
11.10	Review of Residual Value and Useful Life .....	25
11.11	Review of Depreciation Method.....	25
11.12	Subsequent Expenditure on Property, Plant and Equipment .....	25
11.13	Maintenance / Refurbishment.....	26
11.14	Revaluation of Property, Plant and Equipment .....	26
11.15	Subsequent Increase in Recoverable Amount.....	26
11.16	Accounting Treatment on Disposal.....	26
11.17	Selling of Assets.....	26
<b>12.</b>	<b>FINANCIAL DISCLOSURE .....</b>	<b>27</b>
<b>13.</b>	<b>ALIENATION OF ASSETS.....</b>	<b>28</b>
<b>14.</b>	<b>DIRECTIVES AND PROCEDURES.....</b>	<b>28</b>
<b>16.</b>	<b>ANNEXURE A: ASSET CATEGORY AND USEFUL LIFE.....</b>	<b>29</b>
<b>17.</b>	<b>ANNEXURE B: ASSET TYPES NOT CAPITALISED.....</b>	<b>30</b>
<b>18.</b>	<b>ANNEXURE C: CONDITION ASSESMENT .....</b>	<b>30</b>

## **1. PREAMBLE**

The Msukaligwa Local Municipality continuously endeavours to achieve best practice policies and procedures when managing the administration and operations of the Municipality.

This document indicates the policy of Msukaligwa Local Municipality for the management of its fixed assets. Detailed procedures are provided in a separate document. The policy commits the Municipality to establishing and maintaining an Asset Register that complies with the latest accounting standards, and managing the assets in a way that is aligned with the Municipality's strategic objectives and recognised good practice.

This document provides for:

- i. Uniform guidelines in respect of processes, usage, management and maintenance of assets.

## **2. DOCUMENT DEFINITION**

### **2.1 Review**

- a) The policy shall be subjected to the review process after twelve months of its operation. It shall remain in operation even in the review process.
- b) The policy may also be reviewed at the instance of material changes necessitated by legislative developments.

### **2.2 Background**

- a) The utilisation and management of property, plant and equipment is the prime mechanism by which a Municipality can fulfil its constitutional mandates for:
  - i. Delivery of sustainable services;
  - ii. Social and economic development;
  - iii. Promoting a safe and healthy environment; and
  - iv. Providing the basic needs to the community.
- b) As trustees on behalf of the local community, the Municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment.
- c) The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of property, plant and equipment.
- d) Stewardship has two components being the:
  - i. Physical management by the Asset Managers, and Individuals; and
  - ii. Financial administration by the Chief Financial Officer.
- e) Both of the above will be under delegated powers from the Municipal Manager.
- f) Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposal by a local government.
- g) Accounting standards are being promulgated by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment. The requirements of these new accounting standards include:
  - i. The compilation of Asset Registers covering all property, plant and equipment controlled by the Municipality;
  - ii. Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment; and
  - iii. The standards to which these financial records must be maintained.

### 2.3 Effective Date

The Asset Management Policy and Procedure Manual will come into effect from **1 July 2026** as per Council resolution \_\_\_\_\_.

## 3. TERMINOLOGY

### 3.1 Definitions

Municipality	Means the Msukaligwa Local Municipality.
Executive Mayor	Means an Executive Mayor elected in terms of section 55 of the Municipal Structures Act 117 of 1998.
Speaker	Means a Speaker elected in terms of section 36 of the Municipal Structures Act 117 of 1998.
Mayoral Committee	Means a Mayoral Committee member elected in terms of section 60 of the Municipal Structures Act 117 of 1998.
Municipal Manager	Means a person appointed by the Municipality in terms of section 82 of the Municipal Structures Act and who are the Head of Administration and also the Accounting Officer for the Municipality.
Head of Department	Means a person appointed by the Municipality in terms of section 57 of the Municipal Structures Act and who is the Head of a Department within the Msukaligwa Local Municipality.
Official	Means any other personnel appointed by the Msukaligwa Local Municipality on post levels 3 to 19.
Accounting Standards Board	Was established by the Public Finance Management Act to set standards of Generally Recognised Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.
Assets	Are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential is expected to flow to the entity.
Asset Manager	Is the "senior manager" who has the functional accountability for and control of the physical management of a particular set of assets in order to achieve the Municipality's strategic objectives relevant to his/her directorate. The execution of this responsibility will require the Asset Manager to plan and control the acquisition, utilisation, management and disposal of this set of assets to optimize the achievement of these objectives.
Asset categories	<p>Are the main – and sub groups used for the classification of assets as defined by National Treasury. The Chief financial Officer must ensure that all assets are as prescribed by the current standards, classified under the following headings in the Asset Register:</p> <p>Property, Plant &amp; Equipment - defined as tangible assets that are held by a Municipality for use in the production of goods or supply of goods as services, for rental to others for administrative purpose and are expected to be used for more than one period.</p> <p>Community assets - defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.</p>

Heritage assets - defined as assets held indefinitely for the benefit of present and future generations and have a cultural, environmental, historical, natural, scientific terminology and significant resources. Examples are works of art, historical buildings and statues. (GRAP 103)

Asset champion	An official delegated by the Asset Manager in his / her department or section to assist in performing asset management related functions.
Asset Register	A data source that records information of individual assets. The recorded information must include, amongst other information, the asset description, unique asset number, location, etc.
Attractive items	Items of property, plant or equipment that is not significant enough for financial recognition in the fixed Asset Register but is attractive enough to warrant special safeguarding. Such items shall be controlled through departmental attractive items (inventory) register
Biological asset	Refers to a living animal or plant.
Book Value	The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses
Capitalisation	The recognition of expenditure as an Asset in the Financial Asset Register.
Carrying amount	The amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation thereon.
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction plus cost incidental to the acquisition or acquirement. Also known as historical cost / value.
Cost of acquisition	All the costs incurred in bringing an item of plant, property or equipment to the required condition and location for its intended use.
Deferred maintenance	The extent of preventative maintenance that has not been performed.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life and therefore reflects the consumption of economic benefit or service potential of the asset.
Depreciable amount	The cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value
Disposal	The process when an asset becomes surplus, redundant, obsolete, unserviceable or irreparable; the Municipality will dispose of such assets which include transfer, sale, donation in a manner that maximizes the useful life of the asset without incurring operating costs that exceed the benefits derived.
Fair value	The amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
Financial Register (FAR)	Asset The controlled register recording the financial and other key details for all municipal assets recognised in accordance with this policy
GRAP	Stands for "generally recognized accounting practice" and is part of Generally Accepted Accounting Practices.

Impairment	Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or use. The recoverable amount of an asset is less than the carry value of such an asset.
Infrastructure Assets	Defined as assets that are part of a network or similar assets, are specialized in nature and do not have alternative use, they are immovable and / or subject to constraints on disposal. Example – Roads, water, reticulation schemes, sewer purification, electricity assets and trade mains.
Investment property	Defined as a property (land / building or part of building or both) held by owner or by the lessee under finance lease to earn rentals or for use in production or supply of goods or services or for administrative purposes as in the ordinary course of operations.
Maintenance	Is considered operating expenses incurred in ensuring that the useful operating life of assets is attained.
Other assets	Defined as assets utilized in operations, except any land as buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business; or  Land or buildings owned by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included as either PPE or Investment Property. Example – Plant & Equipment.
Preventative maintenance	Maintenance which is required on a systematic basis to ensure that the original assessed future economic benefit or potential service portion or relevant asset is realized hence that the fixed asset reaches its estimated useful life.
Replacement value	The net amount that the Municipality expected to obtain
Recoverable amount	The amount that the Municipality expects to recover from the future use of an asset, including its residual value on disposal.
Recognition	The process by which expenditure is included in the Financial Asset Register as an asset (s).
Residual value	Is the net amount that the Municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
Senior manager	Manager referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.
Stewardship	The act of taking care of and managing property, plant or equipment on behalf of another.
Useful life	Is either:  The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the Municipality; or  The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the Municipality.

## **4. POLICY STATEMENT**

### **4.1 Introduction**

The Municipality believes that Asset Management Policy is important to ensure effective and efficient utilization of public funds and accountability thereof is heavily dependent on accurate recording and accounting treatment.

### **4.2 Overall Objectives**

- a) To ensure the effective and efficient control, utilisation, safeguarding and management of the Municipal Council's property, plant and equipment.
- b) To ensure Asset Managers are aware of their responsibilities in regards of property, plant and equipment.
- c) To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.
- d) To specify the process required before expenditure on property, plant and equipment occurs.
- e) To prescribe the accounting treatment for property, plant and equipment in the Municipal Council including:
  - i. The criteria to be met before expenditure can be capitalised as an item of property, plant and equipment;
  - ii. The criteria for determining the initial cost of the different items of property, plant and equipment;
  - iii. The method of calculating depreciation for different items of property, plant and equipment,
  - iv. The criteria for capitalising subsequent expenditure on property, plant and equipment;
  - v. The policy for scrapping and disposal of property, plant and equipment; and
  - vi. The classification of property, plant and equipment.
- f) To emphasise a culture of accountability over assets.

### **4.3 Communication**

All correspondence with regard to this Policy shall be addressed to the Director: Corporate Services.

### **4.4 Responsibility**

It is the responsibility of the Municipal Manager to update policy, administer administration and control all assets belonging to the Municipality.

### **4.5 Availability**

A copy of this Policy and other relevant documentation is available on the Msukaligwa Local Municipality's website.

## **5. LEGISLATIVE FRAMEWORK**

- a) The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:
  - i. Providing demographic and accountable government for local communities;
  - ii. Ensuring the provision of services to communities in a sustainable manner;
  - iii. Promoting social and economic development;
  - iv. Promoting a safe and healthy environment; and
  - v. Encouraging the involvement of communities and community organisations in matters of local government.
- b) This policy must comply with all relevant legislative requirements including:
  - i. The Constitution of the Republic of South Africa, 1996;
  - ii. Municipal Structures Act, 1998;
  - iii. Municipal Systems Act, 2000

- iv. Division of Revenue Act (enacted annually);
  - v. Municipal Finance Management Bill, 2002;
  - vi. Municipal Finance Management Act – Final Asset Management Guide; and
  - vii. Municipal Asset Transfer Regulation.
- c) This policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognised accounting standards include:
- i. GRAP 1 Presentation of AFS
  - ii. GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
  - iii. GRAP 11 Construction Contracts
  - iv. GRAP 12 Inventory Property
  - v. GRAP 13 Leases
  - vi. GRAP 16 Investment Property
  - vii. GRAP 17 Property, Plant and Equipment
  - viii. iGRAP 18 Recognition and Derecognition of Land
  - ix. GRAP 21 Impairment of non-cash generating assets
  - x. GRAP 26 Impairment of cash generating assets
  - xi. GRAP 27 Biological Assets
  - xii. GRAP 31 Intangible Assets
  - xiii. IAS 36 Impairment of Assets
  - xiv. GRAP 100 Non-current Assets held for sale and discontinued operations; and
  - xv. GRAP 103 Heritage Assets

This policy will be updated annually or whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of property, plant and equipment.

This policy does not overrule the requirement to comply with other policies like procurement, tendering or budget policies. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations. In any event legislative requirements take precedence over any local policy.

## **6. ACCOUNTABILITIES AND RESPONSIBILITIES**

- a) The Municipal Manager is accountable for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.
- b) The Municipal Manager must ensure that:
- i. The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality;
  - ii. The Municipality's assets are valued in accordance with standards of generally recognised accounting practice;
  - iii. That the Municipality has and maintains a system of internal control of assets, including an Asset Register;
  - iv. That senior managers and their teams comply with this policy; and
  - v. Approve temporary and / or permanent transfers of moveable assets between departments.
- c) Under the scheme of delegation, The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the municipalities' assets is safeguarded and maintained.
- d) The Chief Financial Officer must ensure that:
- i. Appropriate systems of financial management and internal control are established and carried out diligently;
  - ii. Systems are established in order that the financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently;
  - iii. Systems are established to prevent any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct.
  - iv. The systems, processes and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General.

- v. Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilised through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- vi. The Municipal Manager is advised on the exercise of powers and duties pertaining to the financial administration of assets;
- vii. The senior managers and senior management teams are advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- viii. This policy and any supporting procedures or guidelines are established, maintained and effectively communicated.
- ix. Within the scheme of delegation, the Chief Financial Officer may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.
- x. Approve reclassification of assets as alternative items and subsequent transfer of such items to departmental attractive item register.

e) Asset Manager must ensure that:

- i. Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility;
- ii. The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently;
- iii. Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- iv. Their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- v. They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the Municipality's strategic objectives.
- vi. Within the scheme of delegation, the Asset Manager may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.
- vii. To certify in writing at each financial year-end that he / she has assessed all assets under his / her control for impairment, and review of useful lives.
- viii. The full facts of cases are reported in writing to the Chief Financial Officer, Accounting Officer and subsequently to the Council in the event of an asset or attractive item being demolished, destroyed, damaged or any occurrence of any other event materially affecting its value.
- ix. Approve the temporary or permanent transfers of a moveable asset between departments as determined in the "Powers of Delegation" of the Municipality.
- x. The Chief Financial Officer is informed in writing at least once per annum, of all moveable and immovable property, plant and equipment to be included for insurance purposes.
- xi. Bi-annual verification of property, plant and equipment as part of the annual reporting process, required by regulatory and legislator prescriptions in co-ordination with the Chief Financial Officer, is done.

f) Asset holder:

An employee to whom assets have been allocated is directly responsible for those assets and must ensure that:

- i. No movement of the assets from his / her office takes place without approval from the delegated authority;
- ii. Physical assets correspond with assets reflected on the Asset Register e.g. the correct item descriptions and asset identification numbers; and
- iii. Any losses / discrepancies / damages are immediately reported to the asset controller / sub-asset controller.

## **7. FINANCIAL MANAGEMENT**

### **7.1 Disposal of Property, Plant and Equipment**

- a) The Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a non-current asset needed to provide the minimum level of basic Municipality services, subject to stipulation in the municipal assets transfer regulations.
- b) The Municipality may transfer ownership or otherwise dispose of a non-current asset other than one contemplated above but only after the Council, in a meeting open to the public:
  - i. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
  - ii. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- c) The decision that a specific non-current asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the Municipality after that asset been sold, transferred or otherwise disposed of.
- d) Within the scheme of delegation, the Municipal Manager may approve the disposal of an item of property, plant and equipment.
- e) The disposal of an item of property, plant and equipment must be fair, equitable, transparent, competitive and cost effective and comply with any prescribed regulatory framework for municipal supply chain management.
- f) Transfer of assets to another Municipality, Municipal Entity, National Department or Provincial Department is excluded from these provisions, but must be done in accordance with a prescribed framework (Municipal Transfer Regulations).
- g) Asset Managers are responsible to prepare a list of redundant or obsolete assets and /or inventory items at least once per annum.
- h) The Fixed Asset Transfer / Move Sign-off Form should be appropriately completed for assets to be transferred to stores.
  - i) The form should be signed by the current user, the new asset user, the managers / HOD of the current and new users, and the relevant official within the Asset Management Section.
- j) Absolutely no transfer of assets may take place without proper documentation being appropriately filled in and authorised.
- k) The security staff controlling the entrances to buildings must record details of the assets in a register, which must be signed by the person removing the asset.
- l) The Municipality may transfer ownership or otherwise dispose of a non-current asset, but only after the Council, in a meeting open to the public:
  - i. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and
  - ii. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- m) The decision that a specific non-current asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.
- n) Within the scheme of delegation, the Municipal Manager may approve the disposal of an item of property, plant and equipment
- o) Asset Managers are responsible to prepare a list of redundant or obsolete assets and /or inventory items at least once per annum.
- p) Auctions must be held annually to dispose of obsolete / redundant assets.
- q) The Functional Heads, Stores and Finance must determine the auction dates in conjunction with the appointed auctioneer.
- r) The relevant official of the Chief Financial Officer's office must submit a summary of the income

and expenditure of the auction to the Internal Audit Section.

- s) Assets not sold at the auction must be reported to the Council together with recommendations on how to dispose of them.
- t) The Asset Management Section must be advised of the sale prices, within seven days after the auction.
- u) Asset Management Section will only finally thereafter remove the asset/s from the assets register.
- v) In cases where a specialised or high valued obsolete or redundant item does not achieve a predetermined reserve price on an auction, the following procedures must be followed:
  - i. Withdraw the item from the auction;
  - ii. Invite quotations for the item by advertising in Daily and Regional newspapers;
  - iii. Obtain more than three written quotations from Institutions or Companies, which deals with or utilizes similar equipment or vehicles;
  - iv. Obtain approval from the relevant Departmental Head; and
  - v. Sell the item to the highest bidder.
- w) If less than three quotations were obtained, a written motivation should be placed on file for audit purposes indicating the steps taken to ensure that the item was disposed of at the highest attainable price.

## **7.2 Loss, Theft, Destruction or Impairment of Fixed Assets**

- a) The director of a relevant section after reporting to the SAPS any loss or theft, should also report the theft to the Asset Management Section for the Asset Register to be updated and for insurance purposes
- b) The Fixed Asset Transfer / Move Sign-off Form should be appropriately completed and approved for assets to be transferred.
- c) The Municipality should obtain Council approval for assets to be written off.
- d) Impairment assessments will be done on all assets during verification. Impairment will be based on the condition of the asset, which will determine the remaining service potential.

## **8. INTERNAL CONTROL**

### **8.1 Asset Registers**

#### **8.1.1 Establishment and Management of the Asset Register**

- a) The Chief Financial Officer is responsible for establishing and maintaining the Council's Asset Register.
- b) The Chief Financial Officer is responsible for ensuring the maintenance of that part of the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- c) Asset Managers are responsible for ensuring the establishment and maintenance of entries in the Asset Register for assets within their control. They will also be responsible for establishing and maintaining any additional register or database required demonstrating their physical management of their assets.
- d) Each Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers.
- e) The Chief Financial Officer is responsible for establishing and maintaining the Council's Asset Register.
- f) There will be two major types of assets recorded:
  - i. Fixed or immovable assets like buildings, roads or electricity, sewerage and water networks; and
  - ii. Movable assets like cabinets, chairs, computers, desks, etc.

- g) The Chief Financial Officer is responsible for ensuring the maintenance of that part of the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- h) It shall be the responsibility of Asset Management Section to maintain, reconcile and update the assets register on a monthly basis in order to ensure that a fair value of the Municipality's assets is reflected.
- i) Individual assets of asset types determined from time to time must be reflected in the Assets Register.
- j) All changes to the assets register on the asset system must be authorised and various levels of security must be put into place.

## **8.2 Bar-Coding / Marking of Assets**

- a) Assets must be physically bar-coded / marked for identification purposes, where applicable.
- b) In instances where it is not possible to barcode the use of GPS coordinates or paint where barcodes can fall-off
- c) Identification bar-codes / marks must not be tampered with nor removed.
- d) Bar coding is important to:
  - i. Provide an accurate method of identifying individual assets;
  - ii. Aid in the annual physical inventory;
  - iii. Control the location of all physical assets; and
  - iv. Aid in maintenance of fixed assets.
- e) Fixed property and plant are not bar coded; such as:
  - i. Buildings (record legal description in asset record);
  - ii. Land (record legal description in asset record); and
  - iii. Infrastructural assets.

### **8.2.1 General**

- a) The label must be applied on the side from which the asset is used.
- b) The label is applied on the top right-hand side of the asset.
- c) Avoid sides which could be moved against a wall or other assets.
- d) Avoid positions low on the ground / floor.
- e) Do not label higher than 2 meters above the floor.
- f) Avoid labelling on top of surfaces where damage could occur.
- g) Label major part of asset not on replaceable drawer or door.
- h) A scanner must be able to read the label with ease; Avoid positions where the natural hand scan motion is impaired.

### **8.2.2 Procedures**

- a) Assets must be physically bar-coded / marked for identification purposes, where applicable.
- b) Identification bar-codes / marks must not be tampered with nor removed.
- c) Fixed property and plant are not bar coded; such as:
  - i. Buildings (record legal description in asset record);
  - ii. Land (record legal description in asset record); and
  - iii. Infrastructural assets.
- d) No alterations to or painting of buildings can commence without liaison with the Asset Controllers to verify the room numbers and to make sure that the bar codes at the doors are not damaged and control must be exercised to ensure that the unique asset/s and room identification (bar codes) are not painted over.
- e) Departments must well in advance indicate their needs for bar-coding to the Asset Management Section to ensure that sufficient barcodes is available and to schedule for assets to be bar-

coded by the Asset Management Section.

- f) Any asset which is not possible to be marked with a bar coded label should be described in detail in a control register. The applicable bar-coded label should be pasted against the description in the register. These assets should also be registered in the assets register.
- g) Ensure that all assets in use on premises of the Municipality, which are not Municipality property, are properly recorded in a control register, as these assets cannot be labelled.
- h) All unmarked assets discovered and which do not represent new purchases in the relevant financial year have to be reported to Asset Management Section. An investigation has to be done to find asset documentation that will assist in allocating correct information relating to such unmarked assets.
- i) As soon as a user notices that a bar code came loose or is missing on one of his/her assets, he/she has to report it immediately to the relevant Asset Controller.
- j) The Asset Controller has to determine if the bar code has been removed on purpose or not.
- k) If it has been removed on purpose, the relevant Asset Controller has to determine whom the guilty party is, in order for the Departmental Head to take disciplinary action against the offender.
- l) In both the aforementioned cases (falling off and purposeful removal of a bar code, the AC has to be notified. (The relevant AC also has to supply the existing asset number of the asset from which the bar code is missing, to Asset Management Section to reorder the same unique barcode replacement.

### **8.3 Financial Components of the Asset Register**

#### **8.3.1 Contents of the Financial Asset Register**

- a) The details included in the Asset Register:
  - i. The measurement bases used;
  - ii. The depreciation methods used;
  - iii. The useful life;
  - iv. Depreciation charged (current year);
  - v. The gross carrying amount;
  - vi. The accumulated depreciation;
  - vii. Date of acquisition;
  - viii. Acquisition cost / fair value;
  - ix. Date of disposal (if relevant);
  - x. Increases or the decreases resulting from revaluations (if relevant);
  - xi. Method of calculating recoverable amount;
  - xii. Any restrictions on title to the asset and title deed number;
  - xiii. Location (cost centre) and physical location;
  - xiv. Strategic purpose and if it is required to provide minimum basic service;
  - xv. The responsible Asset Manager;
  - xvi. Cost centre of user department;
  - xvii. Function codes;
  - xviii. Classifications;
  - xix. Identification number where applicable;
  - xx. Cash or non-cash generated;
  - xxi. Impairment losses;
  - xxii. Source of finance;
  - xxiii. Stand number (property);
  - xxiv. Valuation (if applicable);
  - xxv. Date of valuation;
  - xxvi. Assets used to secure debts; and
  - xxvii. Residual value.

### **8.3.2 Internal Controls over the Financial Asset Registers**

- a) Asset Managers must ensure that controls around their Asset Registers are sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the Chief Financial Officer and required by the Auditor-General.
- b) These controls will include physical management and recording of all acquisitions, assignments, transfers, losses and disposals of their assigned assets as well as regular verification and systems audits to confirm the adequacy of their controls.

### **8.3.3 Updating of Fields in the Assets Register Database**

- a) The assets register can be updated with permanent information (master file data) and changeable data (transaction data). Master file data on the data fields is either entered once or requires no entering due to the programmatic nature thereof.
- b) The following data fields are centrally entered once by Asset Management Section, and apply to existing assets as well as new assets:
  - i. Depreciation method; and
  - ii. Depreciation percentage.
- c) Any changes to this data field have to be thoroughly substantiated and authorised by the Manager of the Asset Management Section, before they are made.
- d) All new asset additions go through a number of processes before they are accepted in the assets register. For each capitalisation transaction, the Asset Management Section must receive the underlying proof and classify the transaction as a new asset addition or as an adjustment to an existing asset's value. At the same time, Asset Management Section performs a second process for each capitalisation transaction. More than one asset can be reflected on the purchase documents in which case the purchase value should be divided between the individual assets.
- e) Assets are linked to two major fields:
  - i. Room number; and
  - ii. Toolbox number.

## **8.4 Physical Receipting and Management**

### **8.4.1 Responsibilities of the Asset Manager**

- a) The Asset Manager must ensure that the purchase of property, plant of equipment complies with all municipal policies and procedures.
- b) The Asset Manager must ensure the all movable property, plant and equipment is duly processed and identified before it is received into their stewardship.
- c) The Asset Manager must ensure all movable assets received into their stewardship are appropriately safeguarded for inappropriate use or loss. This will include appropriate control over the physical access to these assets and regular verifications to ensure any losses have not occurred. Any known losses should be immediately reported to the Chief Financial Officer to update the Asset Register and the Director Administration & Resource Management to process insurance claims.
- d) The Asset Manager will do a bi-annual verification of property, plant and equipment as part of the annual reporting processes coordinated by the Chief Financial Officer.
- e) The Asset Manager must ensure that property, plant and equipment is appropriately utilised for the purpose that the Municipality acquired them.
- f) The results of at least an annual verification, in hard copy format, must be signed by the Asset Manager or his / her delegate in terms of Delegations of Authority and be displayed in relevant locations.
- g) Losses in assets due to theft or damage should be reported in writing to the Asset Management unit by the user department who will then report to the Insurance and subsequently to the Accounting Officer and Chief Financial Officer.
- h) Asset Managers must, on an on-going basis, keep record of assets which are redundant and /

or obsolete to be written off.

- i) The Asset Manager must ensure that all moveable property, plant and equipment is duly checked, processed and identified (marked with a unique label number) before it is received into their stewardship.
- j) The Asset Manager must ensure that all moveable assets received into their stewardship are appropriately safeguarded against inappropriate use or loss. This will include appropriate control over the physical access to these assets, as well as regular asset verifications to control and prevent losses from occurring. Losses are to be dealt with in accordance with the responsibilities and accountabilities.
- k) The Asset Manager must ensure that no private property, plant or equipment is used for Council activities, as Council will not be held responsible for any loss or injury that might occur through non-compliance hereof.
- l) The Asset Manager must annually assess all assets under his / her control for impairment and review of useful lives and review of residual amounts in collaboration with the Chief Financial Officer.

#### **8.4.2 Receipt of Property, Plant and Equipment**

- a) The receipting of property, plant and equipment will be managed by the Supply Chain Management Unit, Project Management Unit.
- b) The process of receipting will include:
  - i. Review of the authority to purchase including compliance with all procurement policies and budgetary limits;
  - ii. Review of all details required to write the asset on to the Asset Register; and
  - iii. Assignment of the asset to the appropriate Asset Manager.
- c) The SCM unit should inspect the assets received and ensure they agree with the information on the source documents.
- d) The Asset Management Section should mark the new asset, if applicable, with a bar code label and record the room and toolbox number and other information for asset additions in the appropriate document.
- e) On receiving procured assets, departments must ensure that they inform the Finance Department accordingly, to aid the updating of inventory lists on an on-going basis.
- f) The new asset should be added to the movable assets list at the back of the door of the room with the date and signature.
- g) The Asset Register should be updated with the bar code number, room number, toolbox and serial number by the appropriate official.

#### **8.4.3 Date of Acquisition**

- a) The date of acquisition of property, plant and equipment is deemed to be the time when legal title and / or control pass to the Municipality.
- b) This may vary for different categories of assets but will usually be the point of time when payment is made for that item of property, plant and equipment.

#### **8.4.4 Donations**

- a) The CFO must be informed about any donation to the Municipality. Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the assets register if the fair value is greater than the recognition threshold. Where the value of the asset is known, such value shall be included in the register in line with recognition criteria. It shall be the responsibility of the Functional Head or his/her nominee to notify the CFO and Asset Management Section of such assets for capitalisation purposes.

## **8.5 Transfers to Another Asset Manager**

- a) The Fixed Asset Transfer / Move Sign-off Form should be appropriately completed for assets to be transferred.
- b) The form should be signed by the current user, the new asset user, the managers / HOD of the current and new users, and the relevant official within the Asset Management Section.
- c) Absolutely no transfer of assets may take place without proper documentation being appropriately filled in and authorised.
- d) The security staff controlling the entrances to buildings must record details of the assets in a register, which must be signed by the person removing the asset.
- e) The new Asset Manager accepts all the accountabilities of the previous Asset Manager.
- f) The Asset Manager must ensure that the asset is appropriately safeguarded for loss, damage or misuse where ever it is located. Safeguarding includes ensuring reasonable physical restrictions and delegated management is implemented.
- g) The Manager Finance appropriately amends the Financial Asset Register for all approved transfers, where after such physical transfer are only permitted to take place.

### **8.5.1 Permanent transfers to another Asset Manager**

- a) An Asset Manager retains managerial accountability and control for a particular asset unless:
  - i. Another Senior manager agrees in writing to accept responsibility for that asset, and
  - ii. This transfer is endorsed by the Chief Financial Officer.
- b) The Finance Directorate appropriately amends the financial element of the Asset Register for all approved transfers.
- c) The new Asset Manager accepts all the accountabilities of the previous Asset Manager.
- d) The Manager Finance appropriately amends the Financial Asset Register for all approved transfers, where after such physical transfer are only permitted to take place.
- e) The new Asset Manager has made the necessary budget provision to cater for accompanying cost of such Asset Register.

### **8.5.2 Relocation or Reassignment of Property, Plant or Equipment**

- a) The Asset Manager must ensure that the asset is appropriately safeguarded for loss, damage or misuse where ever it is located. Safeguarding includes ensuring reasonable physical restrictions and delegated management is implemented.
- b) The Asset Manager must advise the Chief Financial Officer whenever an asset is permanently relocated or reassigned from the location (or base) or cost centre recorded in the Financial Asset Register.
- c) The Asset Manager must advise the Chief Financial Officer whenever an asset is temporarily relocated or reassigned from the location (or base) or cost centre recorded in the Financial Asset Register. In this case, the Asset Manager must also advise the Chief Financial Officer when this asset is returned.

## **8.6 Reconciliation of Assets**

- a) Reconciliation between the Asset Register, Financial System and Procurement System must be performed at least annually.

## **8.7 Verification of Fixed Assets**

- a) Finance Department: Asset Management Division shall at least twice during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the directorate concerned. Finance Department: Asset Management Division shall promptly and fully report to the Director: Finance in the format determined by the Director: Finance, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the Director: Finance not later than 30 June of the year in question.

- b) Important information that has to be considered during the verification is as follows:
- i. The verification of the bar-coded assets is done manually. Changes to the standard programs are only performed under the direct supervision and control of the Asset Management Section;
  - ii. If any bar code label cannot be read, Asset Management Section has to be informed immediately. They are responsible to verify the replacing of the label and to update the assets register with the change;
  - iii. The person in charge of the inspection has to do the following:
    - Ensure that all bar-coded assets have been manually verified and that all assets and items be compared to the movable assets list and consumable items list at the back of the door, before a room is left. This will decrease later follow up work; and
    - Ensure that assets verified or inspected are in good working condition. Any uncertainty regarding the quality or working condition of an asset should be recorded for later follow up;
  - iv. As soon as the inspection of an asset section has been completed, the following standard reports have to be requested and followed up:
    - Assets on the movable assets list or consumable items list which have not been found during the inspection; and
    - Assets that have been inspected, but do not belong in the room according to the assets list or consumable.
- c) After the completion of scanning the assets, Asset Management Section should download all the information onto the assets register. Comparisons between the information per hand held terminal will automatically be compared by the system and exception reports should be printed for follow up.

## **8.8 Room Lists**

- a) At all times these room lists should indicate the assets in particular location and should be easily accessible.
- b) When employees get appointed or resign from any specific post, the relevant assets per the room lists must be verified and accordingly endorsed by the Asset Management unit
- c) All changes on room lists must be reported in writing to the Director: Finance within 7 days of when change took place.

## **9. MANAGEMENT OF ASSETS**

### **9.1 Management and Operation of Property, Plant and Equipment**

#### **9.1.1 Accountability to Manage Property, Plant and Equipment**

- a) Each Asset Manager is accountable to ensure that municipal resources assigned to them are utilised effectively, efficiently, economically and transparently. This would include:
  - i. Developing appropriate asset management systems, procedures, processes and controls for managing assets;
  - ii. Providing an accurate, reliable and up to date account of assets under their control; and
  - iii. The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the Municipality's strategic objectives.

### **9.2 Safeguarding of Assets**

- a) The responsibility for the safeguarding of assets vests with each employee to whom assets have been allocated.
- b) Asset controllers will be directly responsible for ensuring that all assets are properly maintained in a manner which will ensure that such assets attain their useful operating lives.
- c) All assets allocated to or used by employees must be returned upon termination of employment.

- d) The Departmental (Functional) Heads shall be responsible and accountable for all assets under their control.
- e) The Departmental Heads must nominate officials (referred to as Asset Controllers) who shall safeguard the assets on their behalf; however, they shall remain accountable for ensuring that these activities are performed.
- f) The Functional Head should also be able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the Municipality's strategic objectives.

### **9.3 Insurance of Assets**

- a) Movable assets shall be insured from date of delivery. Movable assets should be insured at least against fire and theft, and all municipal buildings are insured at least against fire and allied perils.
- b) The Municipal Manager shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of asset: either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

### **9.4 Contents of a Strategic Asset Management Plan**

- a) Asset Managers need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long-term cost. To achieve this, Asset Manager will need to develop strategic asset management plans that cover:
  - i. Alignment with the Integrated Development Plan;
  - ii. Operational guidelines;
  - iii. Performance monitoring;
  - iv. Fit for purpose and alternative delivery option assessments;
  - v. Maintenance programs;
  - vi. Renewal, refurbishment and replacement plans;
  - vii. Disposal and Rehabilitation plans;
  - viii. Operational, financial and capital support requirements; and
  - ix. Risk mitigation plans including insurance strategies.
- b) The operational budgets are the short to medium term plan for implementing this strategic asset management plan.

### **9.5 Reporting on Emerging Issues**

- a) Each User Department should report to the Municipal Manager on issues that will significantly impede the assets capability to provide the required level of service or economic benefit.

## **10. CLASSIFICATION, AGGREGATIONS AND COMPONENTS**

### **10.1 Classification of Property, Plant and Equipment (GRAP 17)**

- a) Any asset recognised as an asset under this policy will be classified according to national recognised categories.
- b) These categories will be specified by the Accounting Standards Board and currently are included in GRAP 17 and other applicable standards.
- c) The Chief Financial Officer with the relevant Asset Manager may agree to subdivide these classifications further. This decision will be noted as an amendment to the classification schedule of the Municipality and endorsed by the Municipal Manager, the Chief Financial Officer and the relevant Asset Manager.

### **10.2 Investment Property (GRAP 16)**

- a) Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
  - use in the production or supply of goods or services or for

- administrative purposes, or
  - sale in the ordinary course of operations.
- b) Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.
- c) Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.
- d) Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
- e) Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.
- f) Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

- g) Subsequent to initial measurement investment property is measured at fair value.
- h) The fair value of investment property reflects market conditions at the reporting date.
- i) A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

### **10.3 Inventory Asset (GRAP 12)**

- a) Any land or building owned or occupied by the Municipality with the intention of selling such property in the ordinary course of business, or any land or building owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in ordinary course of business, shall be accounted for as inventory assets.

### **10.4 Optional Treatment for Major Component**

- a) An Asset Manager may, with agreement of the Chief Financial Officer, treat specified major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- b) The major components may be identified by the physical parameters or its financial parameters.
- c) These major components may be defined by its physical parameters (e.g. a reservoir roof) or its financial parameters (e.g. a road surface).
- d) In agreeing to these treatments, the CFO must be satisfied that these components:
- i. Have a significantly different useful life or usage pattern to the main asset;
  - ii. Align with the asset management plans;
  - iii. The benefits justify the costs of separate identification;
  - iv. It is probable that future economic benefits or potential service delivery associated with the asset will flow to the Municipality;
  - v. The cost of the asset to the Municipality can be measured reliably;
  - vi. The Municipality has gained control over the asset;
  - vii. The cost is above the recognition threshold; and
  - viii. The asset is expected to be used during more than one financial year.
- e) All such decisions and agreements will be confirmed before the beginning of the financial year and submitted for approval with the budget. Any amendments will only be permitted as part of a budget review.
- f) Once a major component is recognised as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.
- g) All other replacements, renewals or refurbishments of components will be expensed.
- h) All other replacements, renewals or refurbishments of significant components will be expensed.

### **10.5 Recognition of Network Asset (GRAP)**

- a) The Asset Manager is accountable for the management of the registers required to financially verify the value of a network asset.
- b) A network asset is a collection of assets and their subsequent components, which operates as a whole to deliver a specified service or economic benefit, for e.g. electrical network, roads network, IT system network, etc.
- c) It should be possible to identify a network asset with all its different components on the Asset Register.

### **10.6 Recognition of Heritage Assets in the Assets Register (GRAP 103)**

- a) If no original costs or fair values are available in the case of one or more or all heritage assets, the CFO may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the assets register without an indication of the costs or fair value concerned.
- b) For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

### **10.7 Biological Assets (GRAP 27)**

- a) The CFO, in consultation with the Functional Head(s) concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point of sales costs. A recognised valuator in the line of the biological assets concerned shall undertake such valuation. Any losses on such valuation shall be debited to the Department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the Department or vote concerned as operating revenue.
- b) If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the Functional Head concerned in exactly the same manner as though the asset were an ordinary asset.
- c) Records of the details of biological assets shall be kept in a separate section of the assets register or in a separate accounting record altogether, and such details shall reflect the information which the CFO, in consultation with the Functional Head concerned and the internal auditor, deems necessary for accounting and control purposes.

### **10.8 Recognition and derecognition of Land (iGRAP 18)**

#### **General**

iGRAP 18 was early adopted and will subsequently be used in the recognition and derecognition of land.

iGRAP 18 can be applied to clarify the treatment of land where the building is owned by another party including, but not limited to:

- Formal RDP houses
- Informal RDP houses (without council permission)
- Schools, clinics, churches and similar
- Private properties on municipal land

It will also assist in confirming the treatment of the following assets regardless of ownership of the land:

- Infrastructure assets
- Community assets
- Vacant stands registered at the title deeds office
- Vacant stands not registered at the title deeds office

#### **Policy**

The control of land is evidenced by the following criteria:

- (a) legal ownership; and/or

(b) the right to direct access to land, and to restrict or deny the access of others to land.

In assessing the control criteria, any binding arrangements over properties will be considered. Binding agreements can be in written form, a verbal agreement, or the result of past practice.

The loss of control will result in the derecognition of the property, despite legal title, while assets over which the entity does not hold the legal title may be recognized as an asset if control over the property has been established.

## **11. ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT**

### **11.1 Recognition of Property, Plant and Equipment**

- a) An item of property, plant and equipment will be recognised as an asset when:
- i. It is probable that future economic benefits or potential service delivery associated with the asset will flow to the Municipality;
  - ii. The cost of the asset to the Municipality can be measured reliably;
  - iii. The Municipality has gained control over the asset;
  - iv. The cost is above the recognition threshold; and
  - v. The asset is expected to be used during more than one financial year.
- b) All other acquisitions of property, plant and equipment will be expensed.

### **11.2 Initial Measurement**

- a) An item of property, plant and equipment that qualifies for recognition as a non-current asset should be initially measured at its "cost of acquisition".
- b) This "cost of acquisition" will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs usually include the following:
- i. Purchase costs (less any discounts given);
  - ii. Delivery costs and handling cost (up to installation);
  - iii. Installation and assembly cost;
  - iv. Professional fees for architects and engineers;
  - v. Import duties;
  - vi. Non-refundable taxes;
  - vii. Site development costs;
  - viii. Contractor fees;
  - ix. Finance cost (interest) in accordance with the applicable accounting standards; and
- c) Capitalization of costs stops / ceases when the asset is in the condition and location necessary for it to be capable of operating in the manner intended by management.

### **11.3 Donations or Exchanges**

- a) Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition provided the the fair value is greater than the recognition threshold.

### **11.4 Assets held under leases.**

- a) Finance leases are leases, which in effect transfer all risks and rewards associated with the ownership of an asset from the lessor to the lessee. Assets held under finance leases are capitalized by the Municipality and reflected as such in the fixed Asset Register. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement. The asset is then depreciated over its expected useful life.
- b) Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Assets held under operating leases are not accounted for in the Asset Registers of the Municipality.

### **11.5 Recognition (Capitalisation) Threshold**

- a) To ensure efficiency in the administration of this policy, the recognition of property plant and equipment as an asset will be limited to items costing R1 500 or more.
- b) The acquisition of property, plant and equipment costing less than R1 500 will be expenses but their management will need to comply with the policy on managing attractive items.

### **11.6 Carrying Amount on Property, Plant and Equipment**

- a) Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation, subject to the requirement to write an asset down to its recoverable amount or any subsequent revaluation.

### **11.7 Depreciation**

- a) The depreciable amount of an item of property, plant and equipment should be allocated on a systematic basis over its useful life.
- b) The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by the Municipality.
- c) The depreciation charge for each period will be recognised as an expense against the budget of the relevant Asset Manager unless it is included in the carrying amount of another asset.
- d) The depreciation method will be straight line unless the Chief Financial Officer is convinced that another method is more appropriate.
- e) Depreciation of an asset will commence once the asset is available for use:
  - i. Being in the location for it to be capable of operating in the manner intended; and
  - ii. Being in the condition for it to be capable of operating in the manner intended.

### **11.8 Impairment Losses**

#### **11.7.1. General**

- a) Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. The following serve as examples of impairment indicators:
  - i. During routine physical inspection of the asset there was evidence of physical damage (or obsolescence);
  - ii. The asset is not being used, or access to the asset is restricted, due to structural damage.
  - iii. The asset is not able to perform at the planned or required level and as a result is not meeting service delivery targets.
  - iv. During routine physical inspection of the asset it was identified that the asset deteriorated faster than expected, or was subject to damage, which will result in replacement or significant maintenance earlier than expected.
- b) The entity will designate its assets as either non-cash generating or cash generating in accordance with GRAP 21.

Designation is based on the entities objective of using the asset at initial recognition for:

- i. Delivery of service (service assets) or
- ii. Generating commercial return (profit assets)

The designation has to be done on an asset or cash-generating unit.

In the designation process assets are first designated using a group of assets and any remaining assets are then designated on an individual asset basis. The designation is applied to individual assets.

An asset could comprise a group of assets that are part of a system or network, that is, infrastructure assets.

Examples of a cash-generating unit (group of assets):

- i. Administrative / owner-occupied assets
- ii. Infrastructure – Roads
- iii. Infrastructure – Water
- iv. Infrastructure – Electricity
- v. Infrastructure – Sewer
- vi. Infrastructure – Waste Management
- vii. Community Assets – Swimming Pool
- viii. Community Assets – Community Hall

It is expected that some assets may have a dual-purpose.

A dual-purpose asset is only classified as cash-generating (profit assets) if the purpose to create a profit clearly stands out and the service delivery aspect is incidental. If the purpose is not clear, the assets are presumed to be non-cash-generating (service assets)

c) For non-cash generating assets GRAP 21 will be applied.

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

d) For cash generating assets GRAP 26 will be applied.

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

e) The impairment amount is calculated as the difference between the carrying value and the recoverable value.

Where the recoverable amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at re-valued amount.

If the asset is carried at a re-valued amount the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

### **11.7.2 Policy**

Assets shall be inspected as part of annual verifications for impairment indicators. Impairment of assets shall be recognised as an expense, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as income.

### **11.9 Initial Determination of Useful Life**

a) Each Asset Manager needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life of that asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

- i. The operational, maintenance, renewal and disposal program that will optimize the expected long-term costs of owning that asset;
- ii. Economic obsolescence because it is too expensive to maintain;
- iii. Functional obsolescence because it no longer meets the municipalities needs;
- iv. Technological obsolescence;
- v. Social obsolescence due to changing demographics;
- vi. Legal obsolescence due to statutory constraints; and
- vii. Technological obsolescence.

b) A schedule of recommended useful lives is included as an annexure. These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed

those recommend lives.

- c) Spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class was retired or use of that asset or class was discontinued, must be considered to form part of the historical cost of that asset or class. The depreciable amount of such spares must be allocated over the useful life of the asset or class.

#### **11.10 Review of Residual Value and Useful Life**

- a) The residual value and useful life of an item property, plant and equipment should be reviewed annually and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.
- b) This review should be done by the Asset Manager in conjunction with the impairment review.
- c) The Table of Useful Lives is included as an annexure of this policy. These should be used as a guide to the minimum useful lives.
- d) The municipality applies a Scrap value of 5% to vehicles

#### **11.11 Review of Depreciation Method**

- a) The depreciation method applied to property, plant and equipment should be reviewed annually, and if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.
- b) When such a change in depreciation method is necessary the change should be accounted for as a change in according estimate and the depreciation charge for the current future periods should be adjusted.

#### **11.12 Subsequent Expenditure on Property, Plant and Equipment**

- a) Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the Municipality.
- b) All other expenditure should be recognised as an expense in the period in which it occurred.
- c) Before allowing the capitalisation of subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure significantly:
  - i. Increases the life of that asset beyond that stated in the Asset Register, or
  - ii. Increases the quality of service of that asset beyond the existing level of service, or
  - iii. Increases the quantity of services that asset can provide, or
  - iv. Reduces the future assessed costs of maintaining that asset.
- d) Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should also be appropriately included in the approved capital budget.
- e) Where it is desired to capitalize future component replacements, refurbishments or renewals, please refer to the section on major components in this policy.

### **11.13 Maintenance / Refurbishment**

- a) Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a Municipality can expect from the asset.
- b) Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.
- c) Repairs or maintenance that are incurred to reverse the effect of impairment, and as a result extends or enhances the functionality may be capitalised.

### **11.14 Revaluation of Property, Plant and Equipment**

- a) The Municipality will not revalue property, plant and equipment under this current version of the asset management policy.
- b) The Accounting Standards Board is developing an accounting treatment for such revaluations. The Municipality will update this policy to include revaluation when the Accounting Standards Board has confirmed their treatment for revaluations.

### **11.15 Subsequent Increase in Recoverable Amount**

- a) A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount should be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- b) The amount written back should be reduced by the amount that would have been recognised as depreciation, had the write-down or write-off not occurred.

### **11.16 Accounting Treatment on Disposal**

- a) An item of property, plant and equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery are expected from its disposal.
- b) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognised as revenue or expense in the statement of financial performance.
- c) The fact that the fixed asset might be fully depreciated is in itself not a reason for disposal of the asset.

### **11.17 Selling of Assets**

- a) All assets earmarked for sale must be sold by public auction or tender and the following steps shall be followed:
  - i. A notice of the intention of the Municipality to sell the asset shall be published in a local newspaper;
  - ii. The Municipality shall appoint an independent appraiser to fix a minimum selling price;
  - iii. In the case of a public auction, the Municipality shall appoint an independent auctioneer to conduct the auction; and
  - iv. In the case of a tender, the prescribed tender procedures of the Municipality shall be followed.

## 12. FINANCIAL DISCLOSURE

- a) The financial statements should disclose, in respect of each class of property, plant and equipment classified under the categories of infrastructure, community, heritage, investment properties and other assets:
- i. The measurement bases used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed;
  - ii. The depreciation methods used;
  - iii. The useful lives or the depreciation rates used;
  - iv. Depreciation charged in arriving at net surplus or deficit for the period;
  - v. The gross carrying amount and the accumulated depreciation at the beginning and the end of the period; and
  - vi. A reconciliation of the carrying amount at the beginning and end of the period-showing:
    - Additions;
    - Disposal;
    - Acquisition through business combinations;
    - Increases or the decreases resulting from revaluations;
    - Deductions in carrying amount;
    - Amounts written back;
    - Depreciation; and
    - Other movements.
- b) The financial statement should also disclose:
- i. Whether or not, in determining the recoverable amount of items of property, plant and equipment, expected future cash flows have been discounted to their present values;
  - ii. The existence and amounts of restrictions on title and property, plant and equipment pledged as security for liabilities;
  - iii. The accounting policy for restoration costs relating to items of property, plant and equipment;
  - iv. The amount of expenditures on account of property, plant and equipment in the course of construction; and
  - v. The amount of commitments for the acquisition of property, plant and equipment.
  - vi. When items of property are stated at re-valued amounts, the financial statements should disclose:
    - vii. The basis used to revalue the assets;
    - viii. The effective date of revaluation;
    - ix. Whether an independent value was involved;
    - x. The nature of any indices used to determine replacement cost;
    - xi. The carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less depreciation;
    - xii. The revaluation surplus, detailing the movement for the period; and
    - xiii. The portion of the depreciation charge relating to the revaluation.
  - xiv. The carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.
  - xv. The carrying value of investment property where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.

### **13. ALIENATION OF ASSETS**

Paraphrase of section 14 of the municipal finance management act of 2003

- a) A Municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.
- b) A Municipality may not alienate any other capital asset, provided:
  - i. The Council in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services; and
  - ii. The Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

### **14. DIRECTIVES AND PROCEDURES**

- a) Asset Management unit should ensure that this manual is kept up to date and is complied with at all times to effectively, efficiently and economically manage the assets.
- b) The manual should, in spite of the periodical updating, be reviewed formally once a year. Any necessary adjustments should be made and forwarded to the relevant parties. (However, it is still the responsibility of the Asset Controllers to ensure that they have the latest version of the manual).
- c) The manual shall be disseminated to all relevant stakeholders within the Municipality.
- d) The Chief Financial Officer or his / her nominee shall determine the training needs of various stakeholders with respect to the manual and arrange for appropriate training.
- e) Noncompliance to this Asset Management Policy and Procedures shall be reported to the appropriate level of management for appropriate application of the Municipality's disciplinary procedures.

## 16. ANNEXURE A: ASSET CATEGORY AND USEFUL LIFE

Buildings	Buildings	Buildings	25 – 50 years
Heritage assets	Heritage assets	Heritage assets	Not depreciated
Infrastructure	Civil structures	Civil structures	15 – 50 years
Infrastructure	Electricity	Distribution and cables	40 – 50 years
Infrastructure	Electricity	Equipment	15 – 45 years
Infrastructure	Electricity	Public lighting	30 – 40 years
Infrastructure	Mechanical equipment	Mechanical equipment	10 – 20 years
Infrastructure	Other	External facilities	7 – 30 years
Infrastructure	Roads	Bridges	30 – 80 years
Infrastructure	Roads	Furniture	8 – 80 years
Infrastructure	Roads	Structure	10 – 50 years
Infrastructure	Roads	Traffic management	10 – 15 years
Infrastructure	Sewerage	Pipelines	40 – 50 years
Infrastructure	Sewerage	Pump stations	10 – 55 years
Infrastructure	Solid waste	Bins and disposal	10 – 20 years
Infrastructure	Sports- playgrounds	and Sports- and playgrounds	10 – 40 years
Infrastructure	Stormwater	Drainage constructed	50 – 70 years
Infrastructure	Stormwater	Drainage unlined	10 – 15 years
Infrastructure	Water	Dams and reservoirs	50 – 80 years
Infrastructure	Water	Other	15 – 20 years
Infrastructure	Water	Pipes and grids	50 – 90 years
Infrastructure	Water	Pumps and tanks	15 – 20 years
Intangible assets	Intangible assets	Computer software	3 – 5 years
Intangible assets	Intangible assets	Rights	Not depreciated
Intangible assets	Intangible assets	Systems (annual license)	Not capitalised
Investment property	Investment property	Investment property	Not depreciated
Land	Land	Land	Not depreciated
Land	Quarry	Quarry	Per expert report
Other assets	Emergency equipment	Emergency equipment	5 – 10 years

Other assets	Furniture and fittings	Furniture and fittings	5 – 7 years
Other assets	Motor vehicles	Motor vehicles	5 – 15 years
Other assets	Office furniture	Office furniture	4 – 15 years
Other assets	Library Books	Library Books	5 – 10 years
Other assets	Plant and equipment	Plant and equipment	4 – 15 years

## 17. ANNEXURE B: ASSET TYPES NOT CAPITALISED

The following type of assets are not capitalised as the expected useful life is below 12 months

- i. Kitchenware, e.g. Kettles, toasters, two-plate stove, etc.
- ii. Stationery equipment, e.g. Punches (not heavy duty), staplers (not heavy duty), etc.
- iii. Garden equipment, e.g. Brooms, rakes, spade, etc.
- iv. Machines (not heavy duty), e.g. Spanners, screw drivers, etc.
- v. Electrical equipment, e.g. Extension lead, multi plug, etc.
- vi. Mattresses
- vii. Cutlery & crockery
- viii. Other, as may be determined by management
- ix. Library monthly/quarterly magazines or soft bound publications
- x. Covid-19 Thermometers
- xi. Covid-19 Sanitizer Stands
- xii. Fire Extinguishers

## 18. ANNEXURE C: CONDITION ASSESMENT

The regular assessment of the condition and performance of all the tangible capital assets allows the municipality to determine the ability of tangible capital assets to continue to perform and provide services into the future.

Condition Grade	Description	Percentage
1	Very good	95%
2	Good	70%
3	Fair	45%
4	Poor	25%
5	Very poor	10%
6	Broken	0%

<b>Effective date</b>	<b>01 July 2026</b>
<b>Council resolutions no</b>	<b>LM 1084//05/2026</b>
<b>Municipal Manager</b>	