



# ASSET MANAGEMENT POLICY

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**1. OBJECTIVE**

- To ensure the effective and efficient control of the municipality's assets through – (a) proper recording of assets from authorization to acquisition and to subsequent disposal, (b) providing for safeguarding procedures, (c) setting proper guidelines as to authorized utilisation, and (d) prescribing for proper maintenance.
- To assist officials in understanding their legal and managerial responsibilities with regard to assets.

## **2. BACKGROUND**

- The proper utilisation and management of assets is one of the prime mechanisms by which a municipality can fulfill its constitutional objectives for:
  - Delivery of sustainable services;
  - Promotion of Social and economic development;
  - Promoting a safe and healthy environment and,
  - Providing for the basic needs of the community.
- The municipality has a legal and moral obligation to ensure it implements policies to provide for the effective and efficient usage of its assets over the useful life thereof.
- The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of assets.
- Stewardship has three components being the:
  - Management, utilisation and control by the Municipal Officials.
  - Financial administration by the Chief Financial Officer, and
  - Physical administration by the Assistant Accountant: Assets & Accountant: Assets
- Statutory provisions exist to protect public property against arbitrary and inappropriate management or disposal by a local government.
- Accounting standards are set to ensure the appropriate financial treatment for property, plant and equipment. The requirements of these accounting standards include:
  - The compilation of asset registers recording all assets controlled by the municipality.
  - Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment.
  - The standards to which these financial records must be maintained.

## **3. DEFINITIONS**

**“Accounting Standards Board”** was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.

**“Active market”** is a market where all the following circumstances must be present:

- The assets which are traded in the market are homogenous;
- A willing buyer and willing seller normally exists at any given time; and
- Prices are available to the public.

**“Agricultural activity”** is the management by a municipality of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

**“Agricultural produce”** is the harvested product of the entity’s biological assets.

**“Amortisation”** is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

**“Assets”** are resources controlled by the municipality as the result of past events and from which future economic benefits or future service potential are expected to flow to the municipality and for the purpose of this policy refers to property, plant and equipment but excludes Investment Properties.

**“Asset Controller”** is any official to whom the responsibility has been delegated and who needs to account for the control, use, physical and financial management of the Municipality’s assets, in terms of the municipality’s standards, policies and procedures and relevant guidelines.

**“Asset register”** is the control register recording the financial and other key details for all municipal assets recognized in accordance with this policy

**“Biological Asset”** is a living animal or plant.

**“Biological Transformation”** comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes to a biological asset.

**“Basic Municipal Services”** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

**“Capitalisation”** is the recognition of expenditure as an Asset in the financial records and in the Asset Register.

**“Carrying amount”** is the amount at which an asset is included in the financial statements after deducting any accumulated depreciation and accumulated impairment thereon from the recorded value thereof.

**“Chief Financial Officer”** means an officer of a municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.

**“Class of property, plant and equipment”** means a grouping of assets of a similar nature or function in a municipality’s operations that is shown as a single item for the purpose of disclosure in the financial statements.

**“Commercial service”** means a service other than a municipal service:

- (a) Provided by a private sector party or organ of state to or for a municipality or municipal entity on a commercial basis; and
- (b) Purchased by a municipality or municipal entity through the supply chain management policy.

**“Community assets”** are defined as any asset that contributes to the community’s well-being. Examples are parks, libraries and fire stations.

**“Control of an asset”** arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

**“Control items”** are items of assets that are not significant enough for financial recognition but are valuable enough to warrant special safeguarding.

**“Cost”** is the amount of cash or cash equivalents paid, or the fair value of the other consideration given or received to acquire an asset at the time of its acquisition or construction or where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of Standards of GRAP.

**“Depreciation”** is the systematic allocation of the depreciable amount of an asset over its useful life.

**“Depreciable amount”** is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

**“Disposal”** in relation to capital assets, includes-

- (a) The deconstruction, demolition or destruction, of the capital assets; or
- (b) Any other process that leads to a loss of ownership of capital assets, excluding transfer of ownership

**“Disposal Management System”** means the system envisioned in regulation 40 of the Municipal Supply Chain Management Regulations, published in General Notice Nr. 868 of 2005.

**“Fair value”** is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction.

**“Fixed asset register”** (FAR) is the control register recording the financial and other key details for all municipal assets recognized in accordance with this policy.

**“Granting of rights”** means the granting by the municipality of the right to use, control or manage capital assets in circumstances where sections 14 & 90 of the MFMA and Chapters 2 & 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to “transfer” or “disposal” of the asset and which includes leasing, letting hiring out, etc, of the capital asset. It also means a right to use, control or manage the capital asset for a period exceeding one calendar month without ceding legal ownership in the asset

**“GRAP”** is Standards of Generally Recognised Accounting Practice.



**“Head of Department / Senior Manager”** means a manager referred to in Section 56 of the Municipal Systems Act.

**“Heritage assets”** are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

**“Historical Cost”** means the original purchase price or the cost of acquisition of capital assets at the time of acquiring the asset.

**“Impairment loss” of a cash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**“Impairment loss” of a non-cash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

**“Improvement / Rehabilitation”** is an improvement or change to an existing asset to increase its original service potential, for example useful lifetime, capacity, quality and/or functionality.

**“Infrastructure assets”** are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewage purification and trunk mains, transport terminals and car parks.

**“Investment properties”** are defined as property (land or a building or part of a building or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production and supply of goods or services or for administrative purposes;
- or
- (b) sale in the ordinary course of business.

**“Intangible assets”** are identifiable non-monetary assets without physical substance.

**“Manager”** means each senior manager and each municipal official exercising financial management responsibilities.

**“mSCOA”** means Municipal Standard Chart of Accounts.

**“Municipal valuation”** means the official valuation of an immovable property as reflected in the Municipality’s valuation roll.

**“Municipality”** means the Cederberg Municipality.

**“Organ of state”** means:

- (a) a national department of national public entity;
- (b) a provincial department of provincial public entity;
- (c) a municipality or municipal entity; or
- (d) any other organ of state within the meaning assigned to ‘organ of state’ in section 239 of the Constitution.

**“Other assets”** are defined as assets utilized in normal operations. Examples are plant, equipment, motor vehicles and furniture and fittings.

**“Prescribe”** means as prescribed by the Minister of Finance by regulation.

**“Property, plant and equipment” (PPE)** means tangible assets that:

- (a) Are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- (b) Are expected to have a useful life extending for more than one financial year.

**“Recoverable amount”** is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

**“Recoverable service amount”** is the higher of a non-cash-generating asset’s fair value minus the cost to sell and its value in use.

**“Remaining useful life”** of a depreciable PPE asset is the time remaining until an asset ceases to provide required standard of performance or economic usefulness.

**“Residual value”** is the net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

**“Right to utilise, control and manage”** means the right to use, control and manage the capital asset for a period of longer than one calendar month, without giving up ownership of the asset. In other words, where the granting of such a right does not lead to the transfer or permanent disposal of the asset, for example when a right is obtained through a rental contract, rental or rental agreement.

**“Senior Manager”** is a manager as referred to in Section 57 of the Municipal Systems Act (MSA) who is somebody that reports directly to the Municipal Manager.

**“The Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).

**“Transfer”** means with regards to a capital assets or sub-assets the transfer of ownership as a result of sales and other transactions.

**“Useful life”** – is:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality’s accounting officer.

#### **4. STATUTORY AND REGULATORY FRAMEWORK**

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Systems Act; 2000;
- Local Government: Municipal Finance Management Act; 2003;
- Municipal Asset Transfer Regulation No. 878 of 2008;
- Generally Recognised Accounting Practice (GRAP);
- Interpretations of the standards of GRAP issued by the Accounting Standards Board (IGRAP 1-17);
- Municipal Regulations on Standard Chart of Accounts No. 312 of 2014; and
- Supply Chain Management Regulations No. 868 of 2005.

Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 13 - Leases;
- GRAP 16 - Investment Property;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 21 – Impairment of Non-Cash Generating Assets;
- GRAP 26 - Impairment of Cash Generating Assets;
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets;
- GRAP 100 - Discontinued Operations; and
- GRAP 103 – Heritage Assets.

Other relevant accounting standards:

- GRAP 12 - Inventory; and
- GRAP 11 – Construction Contracts.
- iGRAP 18 - Recognition and Derecognition of Land

The municipality shall apply Interpretation Standard, IGRAP18, relating to the initial recognition and de-recognition of land. This interpretation also considers joint control of land by more than one entity.

When the municipality concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories (GRAP 12), Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103), as this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined.

An entity also applies the applicable Standards of GRAP to the de-recognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.”

This policy does not overrule the requirement to comply with other policies such as Supply Chain Management or Budget policies.

## 5. RESPONSIBILITIES AND ACCOUNTABILITIES

**The Municipal Manager** is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

- The Municipal Manager must take all reasonable steps to ensure that:
  - The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality. These accounting and information systems must also comply with the requirements of mSCOA.
  - The Municipality's assets are valued in accordance with standards of Generally Recognized Accounting Practice (GRAP) as per Directive 5 issued by the Accounting Standards Board.
  - The Municipality has and maintains a system of internal control of assets, including an asset register.
  - Senior managers and other officials comply with this policy.

**The Chief Financial Officer** is responsible to the Municipal Manager to ensure that the financial investment in the municipalities' assets is properly recorded.

- The Chief Financial Officer must take all reasonable steps to ensure that:
  - Appropriate systems of financial management and internal control are established and carried out diligently.
  - The financial and other resources of the Municipality assigned to him/her are utilized effectively, efficiently, economically and transparently.
  - Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented.
  - The systems, processes and registers required to substantiate the financial values of the Municipality's assets are maintained to standards sufficient to satisfy the requirements of effective management.
  - Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
  - The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.

- The Senior Managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets. The Chief Financial Officer may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.
- **The Managers** must take all reasonable steps to ensure that:
  - Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility.
  - The Municipal resources assigned to them are utilized effectively, efficiently, economically and transparently.
  - The assets under their control must be properly safeguarded and maintained to the required level and that risk management systems must exist and be maintained.
  - Any unauthorized, irregular or fruitless or wasteful utilisation and losses resulting from criminal or negligent conduct are prevented.
  - Their management systems and controls can provide an accurate, reliable and up-to-date account of assets under their control.
  - They are able to justify that their plans, budgets, purchasing, maintenance and disposal decisions for assets optimally achieve the Municipality's strategic objectives.
  - The purchase of assets complies with all municipal policies and procedures.
  - All moveable property, plant and equipment is duly processed and identified and inspected as being in order before it is received into their stewardship.
  - All moveable assets received into their stewardship are appropriately safeguarded against inappropriate use or loss. This will include control over the physical access to these assets and regular stock takes to ensure that no losses have occurred. Any known losses should be immediately reported to the Chief Financial Officer & Accountant: Assets & Fleet Management
  - Assets are appropriately utilized for the purpose for which the municipality acquired them.
  - Assets that are transferred from one custodian to another are properly recorded. The Manager may delegate or otherwise assign responsibility for performing these functions but will remain ultimately accountable for ensuring these activities are performed.

## 6. FINANCIAL MANAGEMENT

### **6.1. Pre-Acquisition Planning**

- Before a capital project is included in the budget for approval, the Manager must demonstrate and the Council must consider;
  - The projected cost over all the financial years until the project is operational;
  - The future operational costs and revenue of the project, including tax and tariff implications;
  - The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
  - The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
  - The inclusion of this capital project in the integrated development plan and future budgets: and
  - Alternatives to this capital purchase.
- The Chief Financial Officer is accountable to ensure the Manager receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

### **6.2. Approval to Acquire Property Plant and Equipment**

- Expenditure can only be incurred on a capital project if:
  - The funds have been appropriated in the capital budget,
  - The project, including the total cost and funding sources, has been approved by Council,
  - The Chief Financial Officer confirms that funding is available for that specific project, and
  - Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed.

### **6.3. Funding of capital projects**

- Within the municipality's ongoing financial, legislative and administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the integrated development plan.

- The acquisition of assets will not be funded over a period longer than the useful life of that asset.

Funding source types can include the following:

- External loans;
- Government grants;
- Public contributions and donations;
- Finance leases; and
- Surplus cash.

#### **6.4. General (Disposal of assets)**

- The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of an asset needed to provide the minimum level of basic municipal services, unless such asset is obsolete or surplus to requirements or beyond a state of good repair or being replaced and provided that the delivery of the minimum level of basic municipal services is not compromised as a result of the disposal of the asset.
- The municipality may transfer ownership or otherwise dispose of an asset other than one contemplated above or moveable assets having an estimated carrying value above R50 000 per item, but only after the Council, in a meeting open to the public:
  - Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and
  - Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- The decision that a specific asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset had been sold, transferred or otherwise disposed of.
- The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality and the Asset Transfer Regulations.
- The transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions,



provided such transfer is being done in accordance with a prescribed regulatory framework.

- The disposal of moveable assets up to a carrying amount of R50 000 per item may be authorised under delegated powers by the Municipal Manager after taking the above-mentioned conditions into account.
- Every manager shall report in writing to the Chief Financial Officer on 31 October and 30 April of each financial year on all assets controlled or used by the department concerned which such manager wishes to alienate by public auction or public tender. The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the Municipal Manager of the municipality, as the case may be, recommending the process of alienation to be adopted.
- Once assets are alienated, the Chief Financial Officer shall adjust the asset register for the current year and shall, for the ensuing year, delete the asset from the accounting records and the asset register.
- All gains and losses realized on the alienation of assets shall be accounted for according to section 11.13 below (Accounting treatment on disposal).

## **6.5. Disposal of immovable assets**

### **6.5.1. Process**

- 6.5.1.1. An item consisting of the motivation for the disposal of immovable assets must be prepared by the Directorate: Support Services enabling Mayco to make an informed decision in principle.
- 6.5.1.2. After a decision in principle is taken by Mayco, Supply Chain Management will embark on the applicable process after the Accounting Officer has determined the applicable coring methodology and/or preference points and/or weights and/or specific goals.
- 6.5.1.3. After the competitive bidding process, the Supply Chain Management Unit will source the valuation of the asset concerned depicting its fair market value. Fair market value will be calculated as the average of the valuations sourced from two service providers for properties with a municipal valuation in excess of R 1

million. In respect of properties with a municipal valuation below R 1 million the fair market value will be determined by the municipal valuator determining a current value for the said property and for purposes of this Chapter market related prices shall have the same meaning.

- 6.5.1.4. Depending on the fair market value as determined, either a request for authorization of a public process will be submitted by the Accounting Officer to Council or a final submission prepared by Corporate Services in terms of Section 14 of the MFMA to Council must the follow.

## **6.6. Letting**

The letting of assets must adhere to:

- 6.6.1. In the case of the disposal of firearms, the National Conventional Arms Control Committee must approve the sale or donation of firearms to any person or institution within or outside the Republic.
- 6.6.2. All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be reviewed annually.
- 6.6.3. Where assets are traded in for other assets, the highest possible trade-in price must be negotiated.

## **6.7. Methods of disposal**

- 6.7.1. Transferring assets to another organ of state in terms of a provision of the MFMA enabling the transfer of assets.
- 6.7.2. Transferring assets to another organ of state at market-related value or free of charge when appropriate.
- 6.7.3. By destroying assets,
- 6.7.4. Assets may be disposed of by sale or other agreement after a process which is fair, equitable, transparent and competitive and which may include:
  - 6.7.4.1. a tender process which involve the call for purely financial offers for disposal or letting of immovable assets

6.7.4.2. a call for development proposals in order to fulfill the constitutional and legislative duties of the Municipality including but not limited to achieving the general principles and progressive realisation of the right to access the adequate housing and the fostering of conditions which enable citizens to gain access to land on an equitable basis such as the specific objective of addressing skewed land ownership or control patterns focusing on and incorporating ownership of or control by black people; and

6.7.4.3. a two-stage bidding process for large complex projects; projects where it may be undesirable to prepare complete detailed technical specifications or long-term projects with a duration period exceeding three years.

#### 6.7.5. Process

6.7.5.1. An item must be prepared by the Directorate: Support Services to Mayco to obtain a decision in principle to let the immovable asset.

6.7.5.2. After a decision is taken by Mayco, the Accounting Officer must determine the applicable scoring methodology and/or preference points and/or weights and/or specific goals.

6.7.5.3. The Supply Chain Management Unit must then embark on the applicable process within the framework which process must be fair, equitable, transparent and competitive. The normal rental stock of the Municipality for housing purposes is expressly excluded from this provision

6.7.5.4. The necessary contractual requirements must be drafted and finalised by Corporate and Strategic Services.

### **6.8. General (Disposal and Letting of Immovable Assets)**

6.8.1. All items or report to Council in terms of this Chapter must contain all the applicable and prescribed provisions in terms of the Asset Transfer

Regulations including but not limited to factors that Council must consider as well as those pertaining to conditions that may be imposed.

6.8.2. All agreements concluded pursuant to disposal or letting must contain the minimum requirements stipulated in the Asset Transfer Regulations that are applicable to agreements as well as in the MFMA.

#### **6.9. Loss, theft, destruction or impairment of assets**

Every manager shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the department in question is promptly reported in writing to the Chief Financial Officer, Accountant: Assets & Fleet Management, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Services.

### **7. INTERNAL CONTROLS**

#### **7.1. Asset Register**

##### **7.1.1. Establishment and management of the Asset Register**

- The Chief Financial Officer will ensure the establishment and maintenance of an asset register containing key financial data on each item of asset that satisfies the criterion for recognition.
- The Accountant: Assets & Fleet Management is responsible for establishing and maintaining any additional registers or records to demonstrate to Managers the physical management of assets under their control.
- The asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of GRAP and any other accounting requirements which may be prescribed. It must also comply with the mSCOA business process requirements as set out in Annexure B of MFMA Circular 80.

These requirements for an asset management system are summarized below:

- It must manage the full asset life cycle;
- Manage the contract and build phase of the project by registering the component and rolling the accounting transaction up to the work-in-progress (WIP);
- Immediately after a completion certificate is received, unbundle assets and maintain the parent-child relationship between the main asset and its components;
- Enable table-to-floor inspection sheets (electronic devices are preferred) as well as floor-to-table look-up methodologies;
- Host the insurance register and constantly update the portfolio as new assets are purchased or if there is progress on the value of work-in-progress (WIP);
- Compile and monitor expenditure against the asset maintenance plans;
- Integration to billing systems to monitor investment properties and valuation inconsistencies;
- Utilise the billing system functionality to ensure ownership of land and buildings to the deeds register;
- Integration of the electronic scanning and verification device.
- The purpose is to ensure annual verification and conditional assessment with GPS co-ordinate capturing to the nearest extent possible; and
- Seamless integration with a Geographical Information System (GIS) or alternative mapping enabled graphical user interphase.

#### Identification of Assets:

- Ability to identify and track assets in a hierarchy structure of departments, locations,
- components and sub-components.
- Define Cost Centre, Work Centre, assigning of re-servicing the equipment to an individual.
- Allow for criticality rating to be assignable to each asset via the risk assessment model.
- Ability to link movable assets to third-party asset tracking systems.

### Maintenance Strategies

- Must be able to configure different strategies.
- Ability to attach and insert links to Technical Documentation throughout the maintenance module.
- Must cater for a master maintenance schedule with reporting of 'maintenance done'.
- Must be able to indicate the lifespan of equipment for replacement budgeting purposes.
- Must be able to track warranty periods by components.
- Support Call Centre notifications and maintenance of assets with integrated workflow.

### **7.1.2. Contents and maintenance of the Asset Register**

- The asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of GRAP and any other accounting requirements which may be prescribed.

The details in the asset register may include:

- A unique identification number;
- GIS identification number in the case of infrastructure;
- A short but meaningful description of each asset;
- Date of acquisition of the date that the asset was ready for use;
- Location of the asset;
- Municipal Standard Classification and relevant GUID code;
- mSCOA function and relevant GUID code;
- mSCOA item and relevant GUID code;
- mSCOA regional indicator and relevant GUID code;
- mSCOA funding indicator and relevant GUID code;
- The responsible Senior Manager and department(s) or vote(s) within which the asset will be used;
- The title deed number, in the case of fixed property;
- The erf number, in the case of fixed property;
- The measurement basis of the asset (Cost or Fair Value);

- The original useful life of the asset;
- The revised useful life of the asset;
- The residual value of the asset;
- The revised residual value of the asset;
- The historical cost or revalued amount or fair value, where no cost is available;
- The (last) date of revaluation of the assets which must be valued;
- The revalued value of those assets;
- Who performed the (last) valuation;
- The accumulated depreciation to date;
- Depreciation charged for the current financial year;
- The carrying value of the asset;
- The depreciation methods and rate used;
- Impairment losses incurred during the financial year (and the reversal of such losses, where applicable);
- Method of calculating recoverable amount (in the case where an impairment is required in terms of GRAP);
- Increases or decreases resulting from revaluations (if relevant);
- Source of finance;
- Condition of the asset;
- Current insurance arrangements/agreements;
- Whether the asset is required to perform basic municipal services;
- Whether the asset has been used to secure any debt, and – if so - the nature and duration of such security arrangements;
- Security arrangements;
- Date and value of disposal;
- Selling price; and
- Date on which the asset is retired from use, if not disposed of.
- All managers under whose control any asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.
- An asset shall be recorded in the assets register as soon as it is acquired. If the asset is constructed over a period of time, it shall be

recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset.

- An asset shall remain in the asset register for as long as it is in physical existence. The fact that an asset has been fully depreciated shall not in itself be a reason for deleting it from the register.

### **7.1.3. Internal Controls over the Asset Register**

- Controls relating to the asset register should be sufficient to provide Managers with an accurate, reliable and up-to-date account of assets under their control, in line with the standards specified by the Chief Financial Officer and as required by relevant statutes.
- These controls will include (a) details of the physical management (b) the recording of all acquisitions, assignments, transfers, losses and disposals of assets (c) regular stock-takes and (d) systems audits to confirm the accuracy of the records.
- Identification of assets:
- The Chief Financial Officer will establish a system to ensure that each moveable asset bears a unique identification number/ barcode which shall be recorded in the asset register.
- Every manager shall ensure that the asset identification system approved for use by the municipality is scrupulously applied to all assets controlled or used by the department in question.
- All Managers under whose control any asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the asset register and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.
- An asset shall be recorded in the assets register as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset. The fact that an asset has been fully depreciated shall not in itself be a reason for deleting it from the register.
- Controls relating to the asset register should be sufficient to provide Managers with an accurate, reliable and up-to-date account of assets



under their control, in line with the standards specified by the Chief Financial Officer and as required by relevant legislative and other requirements.

These controls must include:

- Details of the physical management;
- The recording of all acquisitions, assignments, transfers, losses and disposals of assets;
- Regular stock-takes; and
- Systems audits to confirm the accuracy of the records.

## **7.2. Physical Controls and Management**

### **7.2.1. Responsibilities of the Accountant: Assets & Fleet Management**

- The Accountant: Assets & Fleet Management will undertake annual stock takes of assets as part of the annual reporting process.

### **7.2.2. The date of acquisition**

- The date of acquisition of assets is deemed to be the time when legal title and control passes to the municipality.
- This may vary for different categories of assets but will usually be the point of time when an asset is brought into use or when final payment for that item is approved.

## **7.3. Transfers between Managers**

### **7.3.1. Permanent transfers to another Manager**

- A Manager may transfer an asset under his control provided that another Senior Manager agrees in writing to accept responsibility for that asset.

Copies of such approvals must be submitted to the Finance Directorate.

- The Finance Directorate must appropriately amend the Asset register by recording all approved transfers.
- The Manager to whom the asset is transferred must assume accountability for the transferred asset from a date specified in the written communication referred to above.
- A Manager must ensure that assets are appropriately safeguarded for loss, damage or misuse wherever they are located. Safeguarding includes ensuring reasonable physical restrictions.

#### **7.3.2. Relocation or Reassignment of Assets**

- A Manager must advise the Chief Financial Officer, in writing, whenever an asset is relocated or reassigned from the location (or base) or cost centre as recorded in the Asset Register.
- In the case of assets such as vehicles being utilized in the normal course of operations away from its base such reporting is not necessary.

#### **7.4. Verification of Assets**

- Every manager shall at least bi-annually undertake a complete physical verification of all assets under his control.
- The results of such verification shall be reported to the Chief Financial Officer in the format as required by the Chief Financial Officer.
- The second annual verification should be conducted as close to 30<sup>th</sup> June as possible with the verification report reaching the Chief Financial Officer by not later than 30<sup>th</sup> June.

#### **7.5. Insurance of assets**

- The Chief Financial Officer shall ensure that all movable assets are insured against loss:
  - (a) Movable assets should at least be covered against fire and theft and

(b) Municipal buildings and infrastructure assets identified by individual managers should at least be covered against fire and allied perils.

- The Chief Financial Officer shall recommend to the Council of the municipality, the insured value to be applied to each type of asset: either the cost or the replacement value of the asset concerned. Such recommendation shall take due cognizance of the budgetary resources of the municipality.

## **8. MANAGEMENT AND OPERATION OF ASSETS**

### **8.1. Accountability to manage assets**

- Each Manager is accountable to ensure that municipal resources assigned to him are utilized effectively, efficiently, economically and transparently.

This will entail;

- Developing appropriate asset management systems, providing, inter alia, for
  - (a) Recording of usage of the asset such as logbooks,
  - (b) Recording of preventative and maintenance programmes
  - (c) Annual assessment of usefulness, condition of asset and remaining useful life,
  - (d) Planning for replacement of 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.

### **8.2. Strategic asset management plan.**

The Manager will need to develop such a plan that covers:

- Alignment with the Integrated Development Plan
- Operational guidelines,
- Performance monitoring including benchmarking indicators and measurement,
- Maintenance programmes,
- Renewal, refurbishment and replacements plans,
- Disposal and Rehabilitation plans,
- Operational, financial and capital support requirements, and
- Risk mitigation plans including insurance strategies

The operational budgets are the short to medium-term plan for implementing strategic asset management plans.

### **8.3. Reporting on Impeding Issues**

Each Manager shall report to the Municipal Manager on issues that will significantly impede the assets capacity to provide the required level of service or economic benefit.

## **9. CLASSIFICATION, AGGREGATIONS & COMPONENTS**

### **9.1. Classification of assets**

- Any asset recognized as an asset under this policy will be classified according to nationally recognized categories.
- These categories have been specified by the Accounting Standards Board.
- All assets should be classified under the following headings in the Asset Register:

#### **Property, plant and equipment**

- land and buildings, including community asset land and buildings (not held as investment assets)
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- other assets (ordinary operational resources)

#### **Investment property**

- investment assets (resources held for capital or operational gain)

The Chief Financial Officer in consultation with the relevant Manager may agree to subdivide these classifications further. This decision will be noted as an amendment to the classification schedule of the municipality and must be endorsed, in writing, by the Municipal Manager, the Chief Financial Officer and the relevant Manager.

### **Intangible assets**

- Assets without physical substance

### **Heritage assets**

- Culturally significant asset resources

### **Agricultural assets**

### **Capital finance lease assets**

## **9.2. Optional Treatment for Major Components**

- A Manager must, with agreement of the Chief Financial Officer, treat major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- These major components may be defined by its physical parameters (e.g. a reservoir or roof) or its financial parameters.
- In agreeing to these treatments the Manager must be satisfied that these components:
  - Have significantly a different useful life or usage pattern to the Main asset,
  - Align with the asset management plans,
  - Justify the costs of separate identification,
  - Have probable future economic benefits or potential service delivery associated with the asset which will flow to the municipality,
  - Is such that the cost of the asset to the municipality can be measured reliably,
  - Is such that the municipality has control over the asset, and
  - Is such that the asset is expected to be used during more than one financial year.
- 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 (i.e. once or twice during the year).
- Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it was a separate asset.

## **10. ACCOUNTING FOR ASSETS**

### **10.1. Recognition of assets.**

- An item of property, plant or equipment will be recognized as an asset when:
  - It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
  - The cost of the asset to the municipality can be measured reliably,
  - The municipality has control over the asset, and
  - The asset is expected to be used during more than one financial year.

### **10.2. Initial measurement**

- An item of property, plant or equipment that qualifies for recognition as an asset should be initially measured at its “cost of acquisition”.
- The “cost of acquisition” usually include the following:
  - Purchase costs (less any discounts given)
  - Delivery costs
  - Installation costs
  - Professional fees for architects and engineers
  - Import duties
  - Non-refundable taxes
  - Site development costs
  - Contractor fees
  - Fees for legal, financial, advisory, trustee, credit rating, other services and other costs directly connected to the financing

### **10.3. Donations or exchanges**

- Where an item of property plant or 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 asset register.

The responsible Manager must provide the following details in respect of such assets:

- Description;
- Date of acquisition;
- Fair value at date of acquisition;
- Location details;
- Condition; and
- Expected initial useful life.

The Manager must also ensure that the asset is included in the capital budget of the municipality.

#### Subsequent Measurement

Measurement after recognition shall be on the following basis:

- PPE: cost model;
- Heritage assets: cost model;
- Investment property: cost model;
- Intangible assets: cost model; and
- Agricultural assets: fair value less cost to sell.

#### **10.4. Carrying amount of assets**

Subsequent to initial recognition as an asset, an item of property, plant or equipment should be carried at its cost of acquisition less any accumulated depreciation and accumulated impairments

#### **10.5. Depreciation**

- All assets, except land, assets under construction and heritage assets, shall be depreciated – or in the case of intangible assets, amortised.

- The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.
- The depreciable amount of an asset is determined after deducting the residual value of the asset. In practice, the residual value of an asset is often insignificant and, therefore, is immaterial in the calculation of the depreciable amount.
- When the benchmark treatment is adopted and the residual value is likely to be significant, the residual value is estimated at the date of acquisition. The estimate is based on the residual value prevailing at the date of the estimate for similar property assets that have reached the end of their useful lives and have operated under conditions similar to those under which the property asset will be used.
- The depreciation charge for each period will be recognized as an expense against the budget of the relevant Manager.
- The depreciation method used shall reflect the pattern in which the assets' future economic benefits or service potential are expected to erode the value of the asset.
- A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include
  - (a) The straight-line method,
  - (b) The diminishing balance method and
  - (c) The units of production method.
- Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change.
- The diminishing balance method results in a decreasing charge over the useful life.
- The units of production method results in a charge based on the expected use or output.
- The method of depreciation is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.
- The preferred depreciation method will be the straight-line method unless otherwise agreed to in writing by the Chief Financial Officer.
- Depreciation shall initially be calculated from the day the asset is available for use.
- The Manager: Assets & Liabilities, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for



the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

- The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other assets.

#### **10.6. Initial determination of useful life**

- Each Manager needs to determine the useful life of a particular item or class of asset through the development of a strategic asset management plan. The determination of useful life should be developed as part of any pre-acquisition planning that would consider, inter alia, the following factors:
  - The program that will optimize the expected long-term costs of owning that asset,
  - Economic obsolescence because it is too expensive to maintain,
  - Functional obsolescence because it no longer meets the municipality's needs,
  - Technological obsolescence,
  - Social obsolescence due to changing demographics, and
  - Legal obsolescence due to statutory constraints
- A schedule of useful lives is included as an annexure. These should be used as a guide only because asset lives experienced may greatly vary from those recommended lives.
- Spares purchased specifically for a particular asset or class of assets at the time of the initial acquisition 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.

#### **10.7. Review of useful life and residual value**

- Only the Chief Financial Officer in consultation with the responsible manager may amend the useful operating life or the residual value assigned to any asset.
- The Chief Financial Officer shall amend the useful operating life or the residual value assigned to any asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.
- If the value of an asset item of PPE has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be written off from the date in which such diminution in value occurs.
- Similarly, if an asset has been lost, stolen or damaged beyond repair, it shall be written off the asset register.
- At every reporting date the responsible manager must assess the assets under their control for indicators that the useful lives and the residual values of items of property, plant or equipment may need to be amended. Examples of indicators which may necessitate a review include the following:
  - The significant components of the asset has changed;
  - The use of the asset has changed because of the following:
    - The municipality has changed the manner in which the asset is used;
    - The municipality has changed the frequency of the use of the asset;
    - The municipality has made a decision to dispose the asset in future periods;
    - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset;
    - Legal or similar limits placed on the use of the asset have changed; and
    - The asset was idle or retired from use during the reporting period.
- The asset is approaching the end of its previously expected useful life.
- Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.

- There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- must be reviewed annually and if these revised expectations are significantly different from previous estimates, then the depreciation charge for the current and future periods must be adjusted and the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

#### **10.8. Review of depreciation method.**

- The depreciation method applicable to a class of asset must 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 must be changed to reflect the changed pattern.
- When such a change in depreciation method is necessary the change must be reflected as a change in the accounting estimate and the depreciation charge for the current and future periods should be adjusted.

#### **10.9. Subsequent expenditure on assets**

- Subsequent expenditure relating to an item of property, plant or equipment that has already been capitalised must be added to the carrying amount of the asset when such expenditure will increase the useful life of the asset or increase the efficiency of the asset or reduce the cost of operating the asset and resulting in financial or service delivery benefits.
- All other expenditure must be recognized as an expense in the period in which it occurred. Before allowing the capitalization of subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure will significantly:
  - Increase the life of that asset beyond that stated in the asset register, or
  - Increase the quality of service provided by that asset beyond the existing level of service, or
  - Increase the quantity of services that asset can provide, or
  - Reduce the future assessed costs of maintaining that asset.

- Expenditure that is proposed to be capitalized must also conform to recognition criteria for assets and should also be appropriately included in the approved capital budget.

### **10.10. Impairment losses**

The accounting treatment relating to impairment losses is outlined as follows:

- The carrying amount of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve.
- The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification works is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.
- The following may be indicators that an asset is impaired:
  - The asset has been damaged.
  - The asset has become technologically obsolete.
  - The asset remains idle for a considerable period either prior to it being put into use or during its useful life.
  - Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.
- The following steps will have to be performed regularly during the year to account for impairment losses:
  - Departments will identify and inform CFO – Asset Control of assets that:
    - » Are in a state of damage at year-end.

- » Are technologically obsolete at year-end. .
- » Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life.
- » Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is land that is purchased at market value and is to be utilized for subsidized housing developments.
- The recoverable amounts of these assets need to be determined by calculating the net selling price per asset as defined above.
- The impairment loss per asset is the difference between the net selling price and the carrying value of the asset.

#### **10.11. Subsequent increase in recoverable amount**

- A subsequent increase in the recoverable amount of an asset, previously impaired 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.
- The amount written back should be reduced by the amount that would have been recognized as depreciation had the write-down or write-off not occurred.

#### **10.12. Accounting treatment on Disposal**

- An asset should be eliminated from the financial records on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from its existence.
- Gains or losses arising from the retirement or disposal of an asset should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the financial records.
- Gains realized on the alienation of assets shall only be appropriated annually to the municipality's Capital Replacement Reserve in terms of an approved budget (except in the cases below), and all losses on the alienation of assets shall remain as expenses on the statement of financial performance of the

department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the assets of any department or vote, only the net gain (if any) on the alienation of such assets shall be appropriated.

**10.13. Reinstatement, maintenance and other expenses**

- Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.
- Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.
- Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised. Such expenses may include but need not be limited to import duties, forward cover costs, transportation, installation, and assembly and communication costs.
- The following matrix will assist in distinguishing capital expenditure from maintenance expenditure:-

<b>CAPITAL EXPENDITURE</b>	<b>MAINTENANCE</b>
<ul style="list-style-type: none"> <li>• Acquiring a new asset</li> <li>• Replacing an existing asset</li> <li>• Enhancing an existing asset so that its use is expanded</li> <li>• Further developing an existing assets so that its original useful life is extended</li> </ul>	<ul style="list-style-type: none"> <li>• Restoring an asset so that it can continue to be used for its intended purposes</li> <li>• Maintaining an asset so that it can be used for the period for which it was initially intended</li> </ul>

#### **10.14. Assets held under leases**

- **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 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, or a price calculated after taking into account reasonable interest on the payments over the period of the lease. The asset is then depreciated over its expected useful life.
- **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 register.

#### **10.15. Investment property**

- Investment assets shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's financial statements.
- Investment assets comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.
- Investment assets shall be recorded in a separate section of the assets register in the same manner as other assets.
- Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **10.16. Assets treated as inventory**

- Any land or buildings owned or acquired by the municipality with the intention of reselling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of

developing such property for the purpose of reselling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's financial statements.

- Such inventories shall, however, be recorded in a separate section of the assets register in the same manner as assets.

#### **10.17. Recognition of heritage assets in the asset register**

- Heritage assets shall be accounted for in terms of GRAP 103 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's financial statements.
- Heritage assets shall be recorded in a separate section of the assets register in the same manner as other assets.
- Heritage assets shall not be depreciated, but shall be valued annually at financial statements date to determine their fair market value. Heritage assets shall be recorded in the financial statements at such fair value.
- An expert valuer shall be engaged by the municipality to undertake such valuations unless such expertise is available in-house.
- If no original costs or fair values are available in the case of one or more or all heritage assets, the Chief Financial Officer 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 asset register without an indication of the costs or fair value concerned.
- For financial statements purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.



#### **10.18. Other write-offs of assets**

- An asset item, even though fully depreciated, shall be written off only on the recommendation of the manager controlling or using the asset concerned, provided it has been submitted to the Chief Financial Officer for approval.
- Every manager shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any asset which such manager wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports, and shall submit a recommendation to the Municipal Manager of the municipality on the assets to be written off.
- The only reasons for writing off assets, other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the item/s in question.
- In every instance where a not fully depreciated asset is written off, the Chief Financial Officer shall immediately debit to such department or vote the full carrying value of the asset concerned.

#### **10.19. Agricultural assets**

- Accounting for such assets shall take place in accordance with the requirements of GRAP 101.
- The Chief Financial Officer, in consultation with the head(s) of department concerned, shall ensure that all such assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated cost of disposal.
- Such valuation shall be undertaken by a valuer specialising in the valuation of the type of agricultural assets concerned.
- 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.
- If any such asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the manager concerned in exactly the same manner as though the asset were an ordinary asset.

- Records reflecting the details of agricultural assets shall be kept in a separate section of the asset register or in a separate accounting record and such details shall reflect the information which the Chief Financial Officer, in consultation with the manager concerned, deems necessary for accounting and control purposes.
- The Chief Financial Officer shall annually insure the municipality's agricultural assets, in consultation with the manager concerned.

## **11. MAINTENANCE OF ASSETS**

### **11.1. Maintenance plans**

- Every manager shall ensure that a maintenance plan in respect of infrastructure assets with a value of R100 000 or more is prepared as part of the annual budget preparation process.
- The relevant manager shall request sufficient appropriations in the operating budget to achieve the applicable maintenance plans.
- The manager controlling or using the infrastructure asset in question, shall annually report to Council, not later than 31 May, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

### **11.2. General maintenance of Assets**

- Every manager shall be directly responsible for ensuring that all assets are properly maintained and in a manner which will ensure that such assets attain their maximum useful operating lives

## **12. TRANSFERS OF MUNICIPAL ASSETS**

This section is to give effect to the Municipal Asset Transfer Regulations, subject to sections 14 & 90 of the Municipal Finance Management Act (MFMA) and any other applicable legislation. Subject to the provisions of the Municipal Asset Transfer Regulations:

- 12.1. moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related process, whichever is the most advantageous to the municipality;
- 12.2. immovable properties may:
- Be sold at market-related prices except when the public interest or the plight of the poor demands otherwise;
  - Let only at market-related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, fees or charges relating to the letting of immovable property are annually reviewed.
- 12.3. Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.
- 12.4. Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.
- 12.5. The granting of rights (where section 14 & 90 of the MFMA do not apply) by the municipality, shall be executed strictly in accordance with Chapter 4 of the Municipal Asset Transfer Regulations.

### **13. FINANCIAL DISCLOSURE**

The financial statements must disclose, in respect of each class of asset classified under the categories of infrastructure, community, heritage, investment properties, inventory, biological and other assets the compulsory disclosures as required by the relevant standards of GRAP.

#### 14. INDICATIVE USEFUL LIFE OF ASSETS

	Asset Class	Asset Sub-grouping	Useful Life (Yrs)	
Investment Properties	Land	None	Infinite	
	Buildings	None	100	
Property plant and equipment	Land	None	Infinite	
	Buildings	None	100	
	Infrastructure	Electricity Infrastructure		5 - 100
		Roads Infrastructure		7 - 100
		Sanitation Infrastructure		10 - 100
		Stormwater Infrastructure		20 - 100
		Water Infrastructure		10 - 100
	Community Assets	Land		Infinite
		Community Facilities		100
		Sport and recreational facilities		100
	Leased Asset	Furniture and Office Equipment		7
		Transport Assets		10
	Other Assets	Transport Assets		10-15
		Computer Equipment		5 - 10
Furniture and Office Equipment			7 - 15	
Machinery and Equipment			5 - 15	
Heritage	Historical Buildings	Buildings	Infinite	
Intangible Assets	Licences and Rights	Computer software and applications	5	

**15. APPROVAL**

Updated and approved in terms of Council resolution \_\_\_\_\_ dated \_\_\_\_\_ -  
\_\_\_\_\_ that states, "That the Accounting Officer be delegated to adjust the Accounting- and  
Asset Management Policies in accordance with the requirements of GRAP standards  
whenever necessary, and that such changes be incorporated into the next report of  
reviewed budget-related policies."

**Approved:**

**Date:**

\_\_\_\_\_  
Municipal Manager

\_\_\_\_\_