

BA-PHALABORWA LOCAL MUNICIPALITY



FINAL ASSET MANAGEMENT POLICY

PROCEDURES AND PRINCIPLES ON ASSET MANAGEMENT

2025-2026

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1. GLOSSARY OF TERMS

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| AM | Asset Management |
| AFS | Annual financial Statements |
| AP | Accounting Procedure- This is a procedure which is executed to ensure that reliable information is recorded in the annual financial statements |
| AR | Assets Register |
| ASB | Accounting standards Boards |
| CFO | Chief Financial Officer |
| FMBPR | Financial management Best Practice Requirement |
| FCP | Financial Control procedure |
| FSOP | Financial Standard Operating Procedure |
| FSOPM | Financial Standard Operating Procedure Manual |
| GAAP | General Accepted Accounting Practice |
| GAMAP | General Accepted Municipal Accounting Practice |
| GIS | Geographical Information System |
| GL | General Ledger |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| IP | Investment Property |
| IPSAS | International Public Sector Accounting Standards |
| LCP | Legislation Compliance Procedure |
| MFMA | Municipal Finance Management Act |
| MM | Municipal Manager |
| NT | National Treasury |
| PPE | Property Plant and Equipment |
| Director | Director of a department or Senior Manager of that department |
| # | Number |

2. INTRODUCTION

This policy together with the process and procedures manual for the recognition, measurement and management of Property, Plant and Equipment (PPE) has been designed to assist management and officials of Ba-Phalaborwa Local Municipality with the identification, classification, accounting, and daily management of items of PPE. Through the processes and procedures identified within this manual/policy, municipal official will be able to recognize and account for items of PPE in terms of the relevant accounting standards and be held accountable for the management and security of Municipal Owned assets.

The municipality currently prepares it financial statements on the Fund Accounting Basis. This

accounting basis allows for the accounting of Fixed Assets on a “Cost incurred” bases without taking into account future changes in the value of the asset. Infrastructure Assets are also recorded on a cost accrual basis, without taking into account the various separable components of the infrastructure item.

3. OBJECTIVE

To ensure the effective and efficient control of the municipality's assets through:

- ❑ Proper recording of assets from authorisation to acquisition and to subsequent disposal;
- ❑ To establish accounting procedures to support compliance to the accounting standards
- ❑ To identify the relevant applicable accounting standards
- ❑ Providing for safeguarding procedures, and
- ❑ Setting proper guidelines as to authorised utilisation and prescribing for proper maintenance.
- ❑ To establish responsibilities for the management and accounting of Municipal Owned assets.
- ❑ To assist officials in understanding their legal and managerial responsibilities with regard to assets.

4. BACKGROUND

- a) The proper utilisation and management of its assets is one of the prime mechanisms by which a municipality can fulfil the constitutional objects for:
 - ❑ Delivery of sustainable services;
 - ❑ Promotion of social and economic development;
 - ❑ Promoting a safe and healthy environment and,
 - ❑ Providing for the basic needs to the community.
- b) 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.
- c) The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of assets.
- d) Stewardship has three components being the:
 - 1. Management, utilisation and control by municipal officials;
 - 2. Financial administration by the Chief Financial Officer, and
 - 3. Physical administration by the Manager: Expenditure & Asset Management.
- e) Statutory provisions exist to protect public property against arbitrary and inappropriate management or disposal by a municipality.
- f) Accounting standards are set to ensure the appropriate financial treatment for property, plant or 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 or equipment, and

- ❑ The standards to which these financial records must be maintained.

5. DEFINITIONS

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| “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. |
| “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 categories” | are the asset categories as per the Ba-Phalaborwa Asset Register. |
| “Amortisation” | is the systematic allocation of the depreciable amount of an intangible asset over its useful life. |
| “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. |
| “Biological Assets” | are living animals or plants. |
| “Capitalisation” | is the recognition of expenditure as an Asset in the Financial Asset Register. |
| “Carrying amount” | is the amount at which an asset is included in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment thereon. |
| “Cash-generating assets” | are assets managed with the objective of generating a commercial return. |
| “Control items” | are items of assets that are not significant enough for financial recognition but are valuable enough to warrant special safe guarding. |
| “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. |
| “Cost of acquisition” | is all the costs incurred in bringing an asset item to the required condition and location for its intended use. |
| Current replacement cost | a measure of replacement value - the cost of replacing an existing asset with a modern asset of equivalent capacity. |
| “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. |

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| “Director” | is the “head of each Directorate” that 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 that directorate. The execution of this responsibility will require the relevant asset manager to control the acquisition, utilisation, management and disposal of this set of assets to optimise the achievement of these objectives. |
| “Fair value” | is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction. |
| “Financial asset register” | is the control register recording the financial and other key details for all municipal assets recognized in accordance with this policy. |
| Finance lease | is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. |
| Geographical Information System (GIS) | are computer-based tools used to store, visualize, analyze, and interpret geographic data. GIS allow you to organize the assets, visualize an asset's location, understand its relationship with other assets or features, interpret and ask questions about a feature and its connections, and analyze or interpret patterns and trends. |
| “Heritage Assets” | are 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. Examples are works of art, historical buildings, mayoral chains and statues. |
| “Impairment loss” of a cash-generating asset | is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use. |
| “Impairment loss” of a non cash-generating asset | is the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use. |
| “Infrastructure assets” | are defined as any assets that are part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains. |
| “Investment properties” | is defined as property (land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations. |
| “Non-cash-generating assets” | are assets other than cash-generating assets. |
| “Other assets” | are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture. |
| “Prescribe” | means as prescribed by the Minister of Finance by regulation. |

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| “Property, plant or equipment” (PPE) | <p>Means tangible assets that:</p> <p>(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</p> <p>(b) are expected to have a useful life extending for more than one financial year.</p> <p>This includes items necessary for environmental or safety reasons to leverage the economic benefits or service potential from other assets. Insignificant items may be aggregated. Property, plant and equipment is broken down into groups of assets of a similar nature or function in the municipality’s operations for the purposes of disclosure in the financial statements.</p> |
| “Recoverable amount” | is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. |
| “Remaining useful life” | Is the time remaining until an asset ceases to provide the required standard of performance or economic usefulness. |
| “Residual value” | <p>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. The municipality account for residual value at 5% of the cost price of on moveable asset.</p> <p>Residual value is not accounted for on the infrastructure assets, land and buildings.</p> |
| “Useful life” | <p>is either:</p> <p>(a) 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</p> <p>(b) 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.</p> |

6. STATUTORY AND REGULATORY FRAMEWORK

6.1. This policy must comply with all relevant legislative requirements including:

- ☐ The Constitution of the Republic of South Africa, 1996
- ☐ Municipal Structures Act, 1998
- ☐ Municipal Systems Act, 2000
- ☐ Division of Revenue Act (enacted annually)
- ☐ Municipal Finance Management Act No 56 of 2003
- ☐ Local Government: Municipal Transfer and Disposal Regulations, Government Gazette no.31346

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

- ☐ GRAP 12 Inventory
- ☐ GRAP 13 Leases
- ☐ GRAP 16 Investment property
- ☐ GRAP 17 Property, plant or 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
- ☐ GRAP 102 Intangible assets
- ☐ GRAP 103 Heritage assets
- ☐ GRAP 104 Financial Instruments
- ☐ Igrap 18 - Recognition and derecognition of land

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

7. RESPONSIBILITIES AND ACCOUNTABILITIES

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

7.2. 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;
- ☐ the municipality's assets are valued in accordance with the standards of GRAP;
- ☐ the municipality has and maintains a system of internal control of assets, including an asset register, and
- ☐ the CFO, Directors and their teams comply with this policy.

As Accounting Officer of the municipality, the Municipal Manager shall be the principal custodian of the entire municipality's assets and shall be responsible for ensuring that this policy is effectively applied on adoption by Council. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the Chief Financial Officer (CFO) and Directors, of procedures to effectively and efficiently apply this policy.

This policy should be applied with due observance of the municipality's policy with regard to delegated powers. Such delegations refer to delegations between the MM and other responsible officials as well as between Council and the Executive Mayor and the Council and the MM. All delegations in terms of this policy must be recorded in writing.

In accordance with the MFMA, the MM of the municipality and all designated officials are accountable to him / her. The MM is therefore accountable for all transactions entered into by his / her delegates. The overall responsibility for asset management lies with the MM.

However, the day-to-day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing. The MM may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.

7.3. The Chief Financial Officer is responsible to ensure that the assets are properly recorded and safeguarded.

7.4. The Chief Financial Officer must take all reasonable steps to ensure that:

- ❑ appropriate systems of financial management and internal controls are established and carried out diligently;
- ❑ the financial and other resources of the municipality 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;
- ❑ All revenue due to the municipality is collected, for example rental income relating to assets;
- ❑ 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 all statutes;
- ❑ financial processes are established and maintained to ensure the municipality's financial resources are optimally utilized through appropriate asset plans, 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, and
- ❑ the Directors are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets.

7.5. 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 Chief Financial Officer will be responsible for the fixed asset register of the municipality, and shall ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained, No amendments, deletions or additions to the fixed asset register

shall be made other than by the Chief Financial Officer or by an official acting under his/her written instruction.

7.6. The Directors / Asset Manager must take all reasonable steps to ensure that:

- ❑ appropriate systems of physical management and controls are established and carried out for assets in their areas of responsibility;
- ❑ the municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- ❑ the assets under their control are appropriately safeguarded and maintained to the extent necessary and that risk management systems are in place and applied;
- ❑ any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- ❑ they are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives;
- ❑ the purchase of assets complies with all municipal policies and procedures;
- ❑ all movable and immovable assets are duly processed and identified when it is received into his/her stewardship;
- ❑ all movable and immovable assets received into his/her stewardship are appropriately safeguarded for inappropriate use or loss. This will include control over the physical access to these assets and regular asset counts to ensure any losses have not occurred. Any known losses should be immediately reported to the Chief Financial Officer, and
- ❑ assets are appropriately utilized for the purpose for which the municipality acquired them for.

The Director may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.

7.7. Safeguarding of assets.

Directors shall be directly responsible for the physical safeguarding of any asset controlled or used by the directorate in question. In exercising this responsibility, Directors shall adhere to the stipulations of this policy as well as any other written directives issued by the Municipal Manager to the directorate in question, or generally to all directorates, in regard to the control of or safeguarding of the municipality's assets.

8. FINANCIAL MANAGEMENT

8.1. Approval to acquire assets

Funds can only be spent on a capital project if:

- ❑ the funds has been appropriated in the capital budget, and the future annual operations and maintenance needs have been calculated and have been budgeted for in the operations 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
- ❑ the Supply Chain Management prescripts/procedures have been adhered to.

8.2. Funding period of capital projects

The acquisition of assets will not be funded over a period longer than its useful life.

8.3. Disposal of assets

- ❑ The disposal of assets should be done in line with the regulation of section 14 and section 96 of the MFMA ACT 53 of 2003 where necessary.
- ❑ 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 must not be compromised as a result of the disposal of 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 municipal supply chainmanagement regulation and policy.
- ❑ The transfer of assets to another municipality, municipal entity, national directorate or provincial directorate is excluded from these provisions, provided such transfer is being done in accordance with a prescribed regulatory framework.
- ❑ Directors shall report in writing to the Chief Financial Officer on all assets controlled or used by the directorate concerned, which such Director wishes to alienate by public auction or public tender. The Chief Financial Officer shall thereafter consolidate the requests received from the various directorates, 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 the assets are alienated, the Chief Financial Officer shall de-recognise the asset from the asset register.
- ❑ All gains and losses realized on the alienation of assets shall be accounted for according to GRAP requirement.

8.4. Loss, Theft, or destruction of assets

Directors shall ensure that any incident of loss, theft, or destruction, of any asset controlled or used by the directorate in question is promptly reported in writing to the Chief Financial Officer and community safety in cases of suspected theft or malicious damage also to the South African Police Service.

Municipality reserves the right to recover carrying value of assets in case of proven negligent from the liable official.

9. INTERNAL CONTROLS

9.1. Financial asset registers

- (a) The Chief Financial Officer will establish and maintain the asset register containing key information on each item of asset that satisfies the recognition criteria.
- (b) Contents of the financial asset register:
- (c) The asset register shall be maintained in the format determined by the Chief Financial Officer, which shall comply with the requirements of GRAP.
- (d) Internal Controls over the financial asset registers:
 - ❑ Controls around the asset registers should be sufficient to provide Directors with complete accurate and valid information.
 - ❑ These controls will include the physical management and recording of all acquisitions, transfers, losses and disposals of assets.

The asset register is divided into two categories for control purposes, namely: -

- ❑ Capitalised register; and
- ❑ Inventory register.

Capitalised register

- ❑ The purpose of this register is to record and maintain all PPE in excess of R2000 (Two Thousand Rand), exclusive of VAT where applicable.
- ❑ The register also takes into accounts certain classes of asset with a cost /value less than the threshold, an example being furniture and equipment .e.g. office chairs.
- ❑ Information regarding the value of capitalized PPE, acquisitions, write-offs, and sources of financing are disclosed in the financial statements.

Inventory (Minor) register

An asset is recognized as an Inventory item when it meets the definition of an asset, but its value is less than R2 000 (Two Thousand Rand), excluding VAT.

The purpose of this register is to record and maintain all these inventory purchases and movements.

Annexure 1 of this policy has a list of assets which are minor in nature although some of these might have a cost/value above the threshold.

It is the prerogative of the CFO to determine which assets will be recorded in the minor register from time to time. This determination should be in line with the statutory and regulatory frameworks.

9.2. General management of assets

- (a) The Chief Financial Officer will undertake annual asset verifications as informed by section 9.4 of this policy.
- (b) A Director must advise the Chief Financial Officer, in writing, of capital work-in progress (WIP) at the end of the financial year.
- (c) A Director must advise the Chief Financial Officer, promptly in writing whenever capital work-in-progress is completed, for inclusion in the asset register
- (d) A Director must notify the Chief Financial Officer about any new acquisition of asset in writing for inclusion in the asset register
- (e) Every Directorate must keep a maintenance record for any repairs and maintenance done.

9.3. Transfers of assets

- ❑ The transfers of existing assets from one building to the other should be documented on a movement form.
- ❑ The new assets should be barcoded, allocated and recorded on the fixed asset register.
- ❑ Asset transfers must be done in writing.

9.4. Verification of assets

- ❑ The Municipality shall conduct at least once annual risk-based assessments of its assets.
- ❑ The Municipality shall ensure that assets verification is conducted using mobile tools or devices that are compatible with geographic information system (GIS) and Asset Management System (AMS) in order to manage risk, increase efficiency and effectiveness in asset management.
- ❑ The inventory sheet shall be prepared, being signed by asset management official and the end user official after the assets in the office have been verified.

9.5. Insurance of assets

- ❑ The Municipality shall ensure that insurable assets are comprehensively insured.

9.6. Redundant assets

- ❑ The redundant assets shall be registered, collected and being kept in a storeroom.
- ❑ The redundant assets shall be written off after council resolution to write off the assets and then, disposed through auction, scrapping or donation.

10. CLASSIFICATION & COMPONENTS

10.1. Classification of assets

- ❑ Any asset recognized as an asset under this policy will be classified according to categories as per the Ba-Phalaborwa Asset Register
- ❑ All fixed assets should be classified under the following headings in the Asset

Register:

- ❑ Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations, that is shown as a single class for the purposes of disclosure in the financial statements);
- ❑ Intangible Assets;
- ❑ Heritage Assets;
- ❑ Investment Properties;
- ❑ Finance Leased Assets; and
- ❑ Biological Assets.

10.2. Class of immovable assets

❑ PPE asset hierarchy

- An asset hierarchy is adopted for PPE which enables separate accounting of parts Q (or components) of the asset that are considered significant to the municipality from a financial point of view, and for other reasons determined by the municipality, including risk management (in other words, taking into account the criticality of components) and alignment with the strategy adopted by the municipality in asset renewal (for example the extent of replacement or rehabilitation at the end of life). In addition, the municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and components.

❑ Servitudes

- Where municipalities establish servitudes as part of the registration of a township, the associated rights are granted in statute and are specifically excluded from the standard on intangible assets. Such servitudes cannot be sold, transferred, rented or exchanged freely and are not separable from the municipality. Consequently, such servitudes are not recognised in the asset register.

However, servitudes that are created through acquisition (including by way of expropriation or agreement) are recognised as an intangible asset at cost. The municipality may include the cost of the servitude in the cost of the PPE if it is essential to the construction or operation of the asset.

❑ Property, plant and equipment:

- Land PPE
- Buildings (not held as investment assets)
- Biological Assets
- Community assets (resources contributing to the general well-being of the community)
- Landfill sites
- Infrastructure assets (assets which are part of a network of similar assets)
- Intangible assets
- Heritage assets (culturally significant resources)
- Movable (Other) assets (ordinary operational resources, consisting of Furniture, Equipment and Vehicles)
- Finance lease assets
- Library books

❑ Investment property

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

- land held with undetermined use

The Chief Financial Officer may agree to subdivide these classifications further as the classification complies with GRAP Standard.

❑ Unbundling of Assets

- Assets will be componentized or unbundled in line with the requirement of GRAP standard

11. ACCOUNTING FOR ASSETS

11.1. 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,
- ❑ the costs are above the recognition threshold (note distinction between minor and major assets registers in 9.1 above) , and
- ❑ the asset is expected to be used during more than one financial year.

11.2. 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”.
- ❑ This “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*

11.3. Subsequent Measurement

11.3.1. Definitions and rules

Options

Accounting standards allow measurement after recognition of assets as follows:

- ❑ Immovable PPE, heritage assets and intangible assets: on either a cost or revaluation model; and
- ❑ Investment Property: either cost model or the fair value model.

Different models can be applied, providing the treatment is consistent per asset class.

Cost model

When the cost model is adopted, the asset is carried after recognition at its cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation model

When the revaluation model is adopted, an immovable asset is carried after recognition at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be re-valued. The appraisal of the fair value of assets is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualifications and appropriate knowledge and experience in valuation of the respective assets.

Any change to an asset's carrying amount as a result of revaluation is credited (or deducted from any surplus from previous revaluations if the re-valued amount decreased from the previous re-valued amount) in the Revaluation Reserve.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

When an immovable asset is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- ❑ Restated proportionately with the change in the gross carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost.
- ❑ Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus is transferred to the Accumulated Surpluses/ (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account. If this option is selected, an adjustment of the aggregate transfer is made at the end of each financial year.

Investment property

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The gain or loss from the change in fair value of investment property shall be included in the surplus or deficit for the period in which it arises. The fair value of the investment property shall reflect market conditions at the reporting date. Investment property shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year. If a municipality selects the cost model to measure all of its investment property, it does so in accordance with the Standard of GRAP on Property, Plant and

Equipment, i.e., at cost less any accumulated depreciation and any accumulated impairment losses.

Statutory inspections

The cost of a statutory inspection that is required for the municipality to continue to operate immovable PPE is recognised at the time the cost is incurred, and any previous statutory inspection cost is derecognised.

Major inspection

Major inspections will be recognised at the value of the major inspection.

Expenses to be capitalised

Expenses incurred in the enhancement of PPE (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 immovable assets are capitalised. Such expenses are recognised once the municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) - prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of PPE that ensures that the useful operating life of the asset is attained, are considered as operating expenses and are not capitalised, irrespective of the quantum of the expenses concerned.

Spares

The location of capital spares shall be amended once they are placed in service and re-classified to the applicable PPE asset sub-category. Depreciation on the capital spares will commence once the items are placed in service as this is when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

11.3.2. Policy Statement

Measurement after recognition shall be on the following basis:-

- ☐ Immoveable PPE: cost model.
- ☐ Heritage assets: fair value model.
- ☐ Investment property: fair value model.
- ☐ Intangible assets: cost model.
- ☐ Movable Assets: cost model.
- ☐ Biological Assets: fair value less cost to sell.

11.3.3. Frequency of Revaluation

Where the valuation model is adopted, an official revaluation will be aligned with the timeframe associated with the Municipal Valuation Roll, which is currently determined, through

legislation, to be four (4) financial years.

During the financial years between valuation periods, annual assessments of the relevance of asset values will be performed, and where necessitated, valuation adjustments will be made to ensure compliance with the principles of the valuation model.

11.4. 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.
- ❑ Where an immovable asset is donated, a donation letter or a completion certificate should be obtained, and the inspection/ verification being done by the internal officials/ engineers.
- ❑ Where a movable asset is donated, a donation letter should be obtained.

11.5. Depreciation

- ❑ All fixed assets, except land, Investment property and heritage assets, shall be depreciated.
- ❑ The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.
- ❑ The depreciation charge for each period will be recognized as an expense against the budget of the relevant Director unless it is included in the carrying amount of another asset.
- ❑ The depreciation method used shall reflect the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality.
- ❑ 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 the straight-line method, the diminishing balance method and 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 entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method 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 depreciation method will be the straight-line method.
- ❑ Depreciation shall be calculated from the day the fixed asset is available for use (GRAP 17).
- ❑ The Chief Financial Officer shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the directorate 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 amortization of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

11.6. Initial determination of useful life

- Directors need 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.
- The useful lives adopted by the Municipality, which serves as a guide to the minimum useful lives of an asset at initial recognition, is included in the Asset Hierarchy, attached as Annexure A to this policy.

11.7. Review of useful life

- ❑ Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs, the Chief Financial Officer shall inform the council of the municipality of such amendment.
- ❑ The Chief Financial Officer shall amend the useful operating life assigned to any fixed 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.
- ❑ The useful life of an item of property, plant or equipment should be reviewed annually and if these revised expectations are significantly different from previous estimates, then the depreciation charge for the current and future periods should be adjusted and the additional depreciation expenses shall be debited to the directorate or vote controlling or using the fixed asset in question.

11.8. Reassessment of useful lives and residual values

- ❑ It is not appropriate to take a blanket approach of reassessing an entire class of property, plant and equipment. For example, the municipality has furniture and equipment and estimates that the entire class of furniture and equipment's useful lives are 10 years.
- ❑ Each asset should be assessed for the appropriateness of its remaining useful lives (and residual value).
- ❑ If there is proof that an asset within a class will be fully depreciated in during the year or subsequent period after year end, without any plans to dispose such an asset, then management should review the entire class of assets for a change in useful lives.
- ❑ Factors which an entity can take into consideration in determining whether there is a possible indication that an asset's useful life has changed:
 - Condition of the asset;
 - Plan to dispose of the asset;
 - Plan to replace an asset; and
 - Other factors
- ❑ The condition of an asset can be assessed already as part of the physical verification of assets, which should be carried out at least close to the reporting date. The poorer

the condition, the more likely that the remaining useful life will be less. The condition of an asset can also be an indicator that the asset may be impaired

11.9. Review of depreciation method

- ❑ The depreciation method applicable to property, plant or 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.
- ❑ When such a change in depreciation method is necessary the change should be accounted for as a change in accounting and the depreciation charge for the current and future periods should be adjusted.

11.10. Subsequent expenditure on property plant or equipment

- ❑ Subsequent expenditure relating to an item of property, plant or equipment that meets the definition of an asset should 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, resulting in financial or service delivery benefits.
- ❑ All other expenditure should 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.

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

11.11. Impairment of assets

11.11.1. Definitions and rules

The accounting treatment relating to impairment losses is outlined as follows in GRAP 21 & 26:

Impairment is defined as 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 municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

- i. External sources of information:

- ❑ decline or cessation in demand;
- ❑ Significant long-term changes in the technological, legal or government policy environment;
- ❑ the carrying amount of the net assets of the entity is more than its market capitalisation; or
- ❑ market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.; or
- ❑ a halt in construction could indicate an impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

ii. Internal sources of information:

- ❑ evidence of physical damage;
- ❑ evidence of obsolescence;
- ❑ significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected to be used, including an asset becoming idle, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- ❑ cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- ❑ the actual net cash flow or operating profit or loss flowing from an asset are significantly worse than those budgeted;
- ❑ a significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss, flowing from the asset; or
- ❑ operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

iii. Other indications, such as loss of market value.

Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

Intangible assets

The municipality must test all intangible assets associated with PPE not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period provided it is performed at the same time every year.

The most recent detailed calculation of such an asset's recoverable service amount made in the preceding period may be used in the impairment test for that asset in the current period, provided all of the following criteria are met:

- ❑ the most recent recoverable service amount calculation resulted in an amount that exceeded the asset's carrying amount by a substantial margin; and
- ❑ based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable service amount calculation, the likelihood that a current recoverable service amount determination would be less than the asset's carrying amount is remote.

The municipality performs a test of impairment annually and will adjust the carrying value of the assets with the results of this test after determination of the Impairment to be accounted for. Infrastructure assets will be assessed as a collective, once every three (3) years. The period is due to the costs involved in the verification of the entire register at a go.

Management will be guided by indicators on areas in which infrastructure assets will be mostly affected by those indicators, in order to make adjustment in between the three years. Management adopts a methodology to work from the condition of the previous reporting period in order to determine the deterioration levels of assets. The fact that a road has a pothole does not necessarily mean that the road must be impaired, if from the previous block the same asset was Impaired. Management will subsequently account for this deterioration as a normal use of the assets after being previously impaired.

Investment property on the fair value model

Investment property that is measured at fair value is specifically excluded from the scope of GRAP 21 and GRAP 26 (impairment standards). Any impairment would be reflected in the annual review of fair value.

Recoverable amount

Where there are indications of impairment, the municipality must estimate the recoverable service amount of the asset and consider adjustment of the remaining useful life, residual value, and method of depreciation.

Non-cash-generating units

Non-cash-generating units are those assets (or group of assets) that are not managed with the objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use. It may be possible to determine the fair value even if the asset is not traded in an active market. If there is no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount that an entity could obtain.

However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable. For non-cash generating assets which are held on an on-going basis to provide specialised services or public goods to the community, the value in use of the assets is likely to be greater than the fair value less cost to sell. In such cases the municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit/asset is defined as the present value of the asset's remaining service potential. This can be determined using any of the following approaches:

- ❑ the Depreciated Replacement Cost (DRC) approach (and where the asset has

enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimized Depreciated Replacement Cost (ODRC) approach may be used);

- ❑ the restoration cost approach (the Depreciated Replacement Cost less cost of restoration) - usually used in cases where there has been physical damage; or
- ❑ the service units approach (which could be used for example where a production units model of depreciation is used).

Where the present value of an asset's remaining service potential (determined as indicated above) exceeds the carrying value, the asset is not impaired - this will normally be the case unless there has been a significant event.

Cash-generating units

Cash-generating units are those assets managed with objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Managing an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows from the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in managing the asset. The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction. If there is no binding sale agreement but an asset is traded in an active market, fair value is the asset's market price. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that the municipality could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties. In the case of specialized buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciated replacement cost (DRC) approach is generally used to identify the fair value. Costs to sell are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and net cash flows to be received or (paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

Judgement

The extent to which the asset is managed with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be managed with the objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be a non-cash-generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases it may not be clear whether the objective of managing an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating- or a cash-generating asset. Judgement is needed in these circumstances.

Recognition of impairment

The impairment loss is recognized as an expense when incurred (unless the asset is carried

at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow from an asset, it is derecognized and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, is debited to the Statement of Financial Performance as a "Loss on Disposal of Asset".

In the event of compensation received for damages to an item of PPE, the compensation is considered as the asset's ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/derecognized.

Reversing an impairment loss

The municipality must assess each year from the sources of information indicated above whether there is any indication that an impairment loss recognized in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increased to its recoverable amount (providing that it does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior periods). Any reversal of an impairment loss is recognized as a credit in surplus or deficit.

11.11.2. Policy statement

The municipality considers itself an entity whose objective is to provide goods and services for community or social benefit and manages its assets as such, and where positive cash flows are generated, these are with the view to support the objective of providing goods and services for community or social benefit rather than for financial return to equity holders and generally do not reflect the risks involved with managing the assets. Consequently, the default impairment treatment for the PPE and associated intangible assets of the municipality is that of non-cash generating assets.

In cases where it can be reliably demonstrated that an asset is managed with the objective of generating a commercial return (that it is deployed in a manner consistent with that adopted by a profit oriented entity, that the municipality intends to generate positive cash flows from the asset and earns a return that reflects the risk involved in managing the asset) then the municipality applies the impairment treatment for cash-generating assets. The municipality will develop criteria so that it can exercise that judgement consistently in accordance with the definition of cash-generating assets.

Impairment of fixed assets shall be recognized as an expense in the Statement of Financial Performance when it occurs or at least at every reporting date. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

11.12. Accounting treatment on Disposal

- ❑ An item of property, plant or equipment should be eliminated from the Statement of Financial Position, on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from its disposal.

- ❑ Gains or losses arising from the retirement or disposal of an item of property, plant or 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 included in the surplus or deficit.

11.13. 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 as part of such a fixed asset. Such expenses may include but need not be limited to transportation costs, installation cost etc.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure: -

| Capital Expenditure | Maintenance |
|---|--|
| Acquiring a new asset | Restoring an asset so that it can continue to be used for its intended purpose and designed capacity |
| Replacing an existing asset | Maintaining an asset so that it can be used for the period for which it was initially intended. |
| Enhancing an existing asset so that its use/capacity is expanded | |
| Further developing an existing asset so that its original useful life is extended | |

11.14. Assets held under leases

11.14.1. Finance 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 FAR.
- ❑ Finance leases will be recognized at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.
- ❑ The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.
- ❑ 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.

11.14.2 Replacement of finance lease assets

- ❑ Finance lease assets shall be replaced without any council resolution since the assets are not yet controlled by the entity after in the meeting with the management and the council that the asset to be replaced is no longer satisfactory to provide basic minimum service delivery.
- ❑ The accounting officer can dispose an asset in the accounting records (asset register) without the council resolution thereby replacing the asset with a satisfactory asset deemed to provide basic minimum service delivery.
- ❑ The service provider should at all costs be ready to make an asset replacement if the entity is not satisfied with the leased asset.

11.15. 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 statement of position.

Investment assets shall 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 (rather than for the use in the production or supply of goods and services or for administration purposes or sales in the ordinary course of operations).

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such a time as the use of the land has been determined.

Investment property will be measured at costs including transaction costs at initial recognition.

The municipality has adopted the fair value model in respect of Investment Properties.

All municipal land that is vacant will be recorded as Investment properties. Land that is owned

by the municipality but occupied by private individuals shall be recorded as per the disclosure requirements of Igrap 18. Municipality will transfer Investment properties (Vacant Land) to Inventories upon a resolution by council to set aside land for sale/distribution in the short-term horizon. This land will remain as Inventories for a period not exceeding 3 years. The basis of the 3-year period is that the selling of Land is not a core business of the municipality and as such land can remain unsold for periods beyond 12 months. Also see 11.16 below

Fair value

Investment assets shall not be depreciated but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the Statement of Financial Performance at such fair value.

Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the directorate or service controlling the assets concerned.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary

fixed asset until it is ready for its intended use -where-after it shall be re-classified as an investment asset.

The municipality makes use of a valuation roll as a tool to record Investment property Land. The earliest valuation roll will be utilised to account for valuation of Investment property land omitted from previous asset registers. The municipality will make use of the most recent valuation roll where there were omissions and take into account any supplementary rolls before accounting for the fair value of the land as at the date of recognition. Subsequent measurement shall be conducted by an appointed valuer utilising the comparable sales approach, unless otherwise were it impracticable to use this method, then an alternative will be used with reasons.

11.16. Fixed assets treated as inventory

Any land or buildings owned or acquired by the municipality with the intention of selling 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 selling 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 statement of position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, as capital spares, but a separate section of the fixed assets register shall be maintained for this purpose.

11.17. Recognition of heritage assets in the fixed asset register

Heritage assets will be measured at costs at initial recognition, where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

If the municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements as follows:

- ❑ A description of the heritage asset or class of heritage assets.
- ❑ The reason why the heritage asset or class of heritage assets could not be measured reliably.
- ❑ On disposal of the heritage asset or class of heritage assets, the compensation received, and the amount recognised in the statement of financial performance.

11.18. Recognition of Library books as assets in the fixed asset register

According to research, done within the Ba-Phalaborwa Local Municipality, library books that have a lifetime of more than 12 months are only those that are used for research.

For this purpose, Ba-Phalaborwa Local Municipality will only capitalise the following category in the fixed asset register.

- ❑ Novels

- ❑ Religion
- ❑ Dictionaries
- ❑ History and geography
- ❑ Languages
- ❑ Other long-term books without volumes

11.19. Other write-offs of fixed assets

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question. In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such directorate or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

11.20. General maintenance of fixed assets

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

12. FINANCIAL DISCLOSURE

Assets must be disclosed, in respect of each class of property, plant and equipment, in accordance with Generally Recognized Accounting Practice.

USEFUL LIVES OF ASSETS

INFRASTRUCTURE ASSETS

The following is a list of infrastructure assets, with the assigned or estimated useful lives in years in brackets:-

| | | | |
|---------------------------------|------|----------------------------------|------|
| * Airports | | | |
| Airport and radio beacons | (20) | Runways | (20) |
| Aprons | (20) | Taxiways | (20) |
| * Electricity | | | |
| Cooling towers | (30) | Power stations | (30) |
| Load control equipment | (20) | Supply and reticulation networks | (20) |
| Mains | (20) | Switchgear | (20) |
| Meters | (20) | Transformer kiosks | (30) |
| * Gas | | | |
| Mains | (20) | Storage tanks | (20) |
| Meters | (20) | Supply and reticulation networks | (20) |
| * Pedestrian malls | | | |
| Footways | (20) | Paving | (20) |
| Kerbing | (20) | | |
| * Roads | | | |
| Bridges, subways and culverts | (30) | Overhead bridges | (30) |
| Bus terminals | (20) | Stormwater drains | (20) |
| Car parks | (20) | Street lights | (25) |
| Motorways | (15) | Traffic islands | (10) |
| Other roads | (10) | Traffic lights | (20) |
| * Security measures | | | |
| Access control systems | (5) | Security fencing | (3) |
| Security systems | (5) | | |
| * Sewerage | | | |
| Outfall sewers | (20) | Sewerage purification works | (20) |
| Sewer mains | (20) | Sludge machines | (15) |

| | |
|----------------|------|
| Sewerage pumps | (15) |
|----------------|------|

* **Water**

| | | | |
|------------------------------|------|---|------|
| Mains | (20) | Rights (that is, the right to draw water from a particular source belonging to another party) | (20) |
| Meters | (15) | Supply and reticulation networks | (20) |
| Reservoirs and storage tanks | (20) | | |

COMMUNITY ASSETS

The following is a list of community assets with the assigned or estimated useful lives in years in brackets:-

* **Buildings and other assets**

| | | | |
|------------------------------|------|-------------------------------------|------|
| Ambulance stations | (30) | Libraries | (30) |
| Cemeteries | (30) | Museums and art galleries | (30) |
| Civic theatres | (30) | Parks | (30) |
| Clinics and hospitals | (30) | Public conveniences and bath houses | (30) |
| Community centres | (30) | Recreation centres | (30) |
| Fire stations | (30) | Sports and related stadiums | (30) |
| Game reserves and rest camps | (30) | | |

* **Recreation facilities**

| | | | |
|-----------------|------|---|------|
| Bowling greens | (20) | Outdoor sports facilities | (20) |
| Flood lighting | (20) | Organs (that is, pipe organs that are fixtures in a Municipal hall or other centre) | (20) |
| Fountains | (20) | Lakes and dams | (20) |
| Golf courses | (20) | Swimming pools | (20) |
| Jukskei pitches | (20) | Tennis courts | (20) |

OTHER ASSETS

The following is a list of other assets with the estimated useful life in years in brackets:-

* **Buildings**

| | | | |
|---------------------|------|------------------|------|
| Abattoirs | (30) | Laboratories | (30) |
| Asphalt plant | (30) | Nurseries | (30) |
| Cable stations | (30) | Office buildings | (30) |
| Caravan parks | (30) | Old age homes | (30) |
| Compacting stations | (30) | Quarries | (30) |

| | | | |
|--|---------|------------------------------------|---------|
| Fresh produce and other markets | (30) | Tip sites | (30) |
| Hostels used to accommodate the public or tourists | (30) | Training centres | (30) |
| Hostels for Municipal employees | (30) | Transport facilities | (30) |
| Housing schemes | (30) | Workshops and depots | (30) |
| Kilns | (30) | | |
| * Bins and containers | | | |
| Bulk refuse containers | (10) | | |
| * Emergency equipment | | | |
| Emergency lights | (5) | Other fire-fighting equipment | (15) |
| Fire hoses | (5) | | |
| * Furniture and fittings | | | |
| Chairs | (7-10) | Tables and desks | (7-10) |
| Cabinets and cupboards | (7-10) | | |
| * Motor vehicles | | | |
| Ambulances | (5-10) | Ordinary motor vehicles | (5-7) |
| Fire engines | (20) | Trucks and light delivery vehicles | (5-7) |
| Motor cycles | (3) | | |
| * Office equipment | | | |
| Air conditioners | (5-7) | Computer hardware | (5) |
| Office machines | (3-5) | Computer software | (3-5) |
| * Plant and equipment | | | |
| Cable cars | (15) | Lawn mowers | (2) |
| Compressors | (5) | Mechanical horses | (10-15) |
| Filling equipment | (15) | | |
| Firearms | (5) | Radio equipment | (5) |
| Graders | (10-15) | Telecommunication equipment | (5) |
| Irrigation systems | (15) | Tippers | (15) |
| Laboratory equipment | (5) | Tractors | (10-15) |
| Lathes | (15) | | |
| * Other | | | |
| Aircraft | (15) | Watercraft | (15) |
| Library books | (2 - 5) | | |

LIST OF ASSETS RECORDED IN THE MINOR ASSETS REGISTER

BINDING MACHINES
CHAIRS - PLASTIC
CLOCKS
FANS AND HEATERS (PORTABLE)
FIRST AID KITS
GIANT PUNCHER AND STAPLERS
GUILLOTINES
KEYBOARD
LAMINATOR
LARGE OUTDOOR BINS
LETTER TRAYS/DRAWERS
MEDIUM OUTDOOR BINS
PIGEONHOLES
PORTABLE HARDDRIVES
POTRAITS/ARTWORK
SMALL PLASTIC OFFICE BINS
SMALL STEEL OFFICE BINS
SMALL WOODEN OFFICE BINS
STANDS - ELECTRICAL
STOOLS
TISSUE HOLDERS
TROLLEYS
VAS/FLOWERPOTS
VICE GRIPS AND BENCHES
WHEEL-BARROWS
WIFI ROUTERS

****OTHER ASSETS WILL BE PROVIDED AS AN ANNEXURE TO THE FINAL FIXED ASSET REGISTER
COMPILED ANNUALLY BY THE CFO****

GRAP COMPLIANT FIXED ASSETS REGISTER FORMAT

| System ID | Asset Barcode | OldBarcode | RFIDTag | Expensed Item | Status | WIP Master Code | WIP Master Description | Parent Barcode | Class Level 1 | Class Level 2 | Class Level 3 |
|-----------|---------------|------------|---------|---------------|--------|-----------------|------------------------|----------------|---------------|---------------|---------------|
|-----------|---------------|------------|---------|---------------|--------|-----------------|------------------------|----------------|---------------|---------------|---------------|

| Component Type | Component Type Code | Description | Description 2 | Description 3 | Condition | Make | Model | Serial Number | Reference No |
|----------------|---------------------|-------------|---------------|---------------|-----------|------|-------|---------------|--------------|
|----------------|---------------------|-------------|---------------|---------------|-----------|------|-------|---------------|--------------|

| Site Code | Site Description | Building Code | Building Description | Room Code | Latitude - Co-ordinates | Longitude - Co-ordinates | Custodian | Qty | Last Verified Date | Verified By |
|-----------|------------------|---------------|----------------------|-----------|-------------------------|--------------------------|-----------|-----|--------------------|-------------|
|-----------|------------------|---------------|----------------------|-----------|-------------------------|--------------------------|-----------|-----|--------------------|-------------|

| Department Code | Department | Cost Centre Code | Cost Centre | Funding Source | Cost Measurement | Cost Source | Invoice Number | Payment Number | Vote Number | Supplier |
|-----------------|------------|------------------|-------------|----------------|------------------|-------------|----------------|----------------|-------------|----------|
|-----------------|------------|------------------|-------------|----------------|------------------|-------------|----------------|----------------|-------------|----------|

| Acq. Capture Date | Acquisition Date | Ready For Use Date | Disposal Date | Impairment Date | Upgrade Date | Revaluation Date | Revaluation Fair Value | Acquisition Cost | Residual Value |
|-------------------|------------------|--------------------|---------------|-----------------|--------------|------------------|------------------------|------------------|----------------|
|-------------------|------------------|--------------------|---------------|-----------------|--------------|------------------|------------------------|------------------|----------------|

| Depreciation Method | EUL (Months) | Adjusted EUL | RUL Close Prev Period | RUL Adjustment Start of Period | RUL Start of Period | RUL Depreciation Period | RUL Close of Period |
|---------------------|--------------|--------------|-----------------------|--------------------------------|---------------------|-------------------------|---------------------|
|---------------------|--------------|--------------|-----------------------|--------------------------------|---------------------|-------------------------|---------------------|

| Cost Opening Balance | Correction of Error Prior Period | Restated Cost Opening | Additions | WIP Commissioned | Upgrades | Disposals | Revaluation Cost | Cost Closing Balance |
|----------------------|----------------------------------|-----------------------|-----------|------------------|----------|-----------|------------------|----------------------|
|----------------------|----------------------------------|-----------------------|-----------|------------------|----------|-----------|------------------|----------------------|

BA-PHALABORWA LOCAL MUNICIPALITY – Policy/Processes and Procedures Manual – ASSETS MANAGEMENT

| | | | | | | |
|------------------------------|----------------------------------|-------------------------------|-------------------------|--------------------------|-----------|--------------------------|
| Depreciation Opening Balance | Correction of Error Prior Period | Restated Opening Depreciation | Depreciation for Period | Depreciation Elimination | Disposals | Accumulated Depreciation |
|------------------------------|----------------------------------|-------------------------------|-------------------------|--------------------------|-----------|--------------------------|

| | | | | | | |
|--------------------|----------------------------------|-----------------------------|------------|---------------------|----------------------|------------------------|
| Opening Impairment | Correction of Error Prior Period | Restated Opening Impairment | Impairment | Impairment Reversal | Impairment Disposals | Accumulated Impairment |
|--------------------|----------------------------------|-----------------------------|------------|---------------------|----------------------|------------------------|

| | | | | | | | |
|------------------|----------------------------------|------------------------------|------------------|------------------|----------------------|-------------------------|-------------------|
| Open Revaluation | Correction of Error Prior Period | Restated Opening Revaluation | Revaluation Gain | Revaluation Loss | Revaluation Disposal | Revaluation Realisation | Close Revaluation |
|------------------|----------------------------------|------------------------------|------------------|------------------|----------------------|-------------------------|-------------------|

| | | | | | | |
|--------------------------------|----------------------------------|-------------------------|--------------------------------|-----------------|------------------|-------------|
| Carrying Value Opening Balance | Correction of Error Prior Period | Carrying Value Disposal | Closing Balance Carrying Value | Disposal Income | Disposal Expense | Profit/Loss |
|--------------------------------|----------------------------------|-------------------------|--------------------------------|-----------------|------------------|-------------|

13. MOVEMENT FORMS



BA – PHALABORWA LOCAL MUNICIPALITY
ASSET ISSUING FORM (AIF)

NO

DATE

| ITEM NO | RECEIVING DEPARTMENT | ASSET CATERGORY | ASSET DESCRIPTION | BAR-CODE | LOCATION |
|------------|----------------------|-----------------|-------------------|----------|----------|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

ASSET MANEGEMENT OFFICER

COMPLETED BY: _____

DATE : _____

SIGNATURE : _____

RECEIVER/END USER

RECEIVED BY : _____

DATE : _____

SIGNATURE : _____



BA – PHALABORWA LOCAL MUNICIPALITY

DATE

ASSET MOVEMENT FORM (AMF)

NO

| DEPARTMENT (OUT) |
|------------------|
| |

| DEPARTMENT (IN) |
|-----------------|
| |

| ITEM NO | LOCATION (OUT) | LOCATION (IN) |
|---------|----------------|---------------|
| | | |
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |

| ASSET DESCRIPTION | ASSET CATERGORY | BAR-CODE |
|-------------------|-----------------|----------|
| | | |
| | | |
| | | |
| | | |
| | | |

ASSET MANAGEMENT OFFICE

COMPLETED BY: _____

DATE: _____

SIGNATURE: _____

RECEIVER / END USER

COMPLETED BY: _____

DATE: _____

SIGNATURE: _____

14. COMMENCEMENT

This policy document takes effect on the date on which it is approved by Council.

15. APPROVAL

Acting Municipal Manager

Council Resolution: _____

Council Resolution Date: _____