

LEKWA LOCAL MUNICIPALITY



ASSET MANAGEMENT POLICY

2024/2025

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1. 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.

“*agricultural assets*” biological assets when related to agricultural activity example, the management of biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

“*assets*” are resources controlled by an entity as the result of past events and from which future economic benefits or potential service provision are expected to flow to the entity.

“*asset categories*” are the main and sub groups used for the classification of assets.

“*asset champion*” is an official delegated by the Asset manager in his/her department or section to assist him/her in performing asset management related functions and duties.

“*attractive items*” are items of property, plant and equipment which are not significant enough for financial recognition in the fixed asset register, but are attractive enough to warrant special safeguarding. Such items are controlled through departmental attractive item (inventory) registers

“*asset manager*” is the director who has the functional accountability for and control of the physical management of a particular set of assets in order to achieve the municipality’s strategic objectives relevant to his/her directorate. The execution of this responsibility will require the asset manager to control the acquisition, utilization, management and disposal of this set of assets to optimize the achievement of these objectives.

“*biological assets*” living animals or plants.

“*capitalization*” is the recognition of expenditure as an asset(s) in the fixed asset register.

“*carrying amount*” is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation thereon.

“*cost*” is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction plus costs incidental to the acquisition or acquirement. Also

known as historical cost/value.

“cost of acquisition” is all the costs incurred in bringing an item of plant, property and equipment to the required condition and location for its intended use.

“deferred maintenance” is the extent of preventative maintenance that has not been performed.

“depreciation” is the systematic allocation of the depreciable amount of an asset over its useful life, and therefore reflects the consumption of economic benefits or service potential of the asset.

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

“disposal” is the act of derecognizing an asset that has reached the end of its useful life and no future economic benefits or service potential is further expected from its use.

“donated” an item donated to the municipality at no cost or for a nominal cost or acquired by means of an exchange of assets.

“Executive Manager” is a director referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.

“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 controlled register recording the financial and other key details for all municipal assets recognized in accordance with this policy.

“GAMAP” stands for *“generally accepted municipal accounting practice”*.

“GRAP” stands for *“generally recognized accounting practice”*.

“heritage assets” assets held indefinitely for the benefit of present and future generations and have a cultural, environmental, historical, natural, scientific, technological and artistic significance.

“impairment” is when the recoverable amount of an asset is less than the carrying value of such an asset

“intangible assets” are identifiable non-monetary assets without physical substance (identifiable means that the asset can be separated or divided from the entity and sold, transferred, rented or exchanged).

investment property” is property (land/building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than for use in production or supply of goods or services or for administrative purposes or sale in the ordinary course of operations.

“maintenance” is considered operating expenses incurred in ensuring that the useful operating life of assets is attained.

“preventative maintenance” is the maintenance which is required on a systematic basis to ensure that the originally assessed future economic benefits or potential service position of the relevant asset is realized hence that the fixed asset reaches its estimated useful life.

“property, plant and equipment” are tangible assets that:

- a) are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purposes; and
- b) are expected to be used during more than one (1) period.

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

“recognition” is the process by which expenditure is included in the fixed asset register as an asset(s).

“replacement value” is the amount which is needed in current terms to replace an asset.

“residual value” is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs for disposal.

“director” is a director referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.

“senior management teams” are the incumbents of post level 1, 2 and 3 in each directorate being the director and everyone up to two (2) levels below them.

“stewardship” is the act of taking care of and managing property, plant or equipment on behalf of another.

“useful life” is either:

- a) the estimated period of time over which the future economic benefits or future service potential embodied in an asset is expected to be consumed by the municipality; or

- b) the estimated total service potential expressed in terms of production or similar units that are expected to be obtained from the asset by the municipality.

2. Introduction

The utilization and management of property, plant and equipment is the prime mechanism by which a municipality can fulfill its constitutional mandates for:

- a) Delivery of sustainable services,
- b) Social and economic development,
- c) Promoting safe and healthy environments; and
- d) Providing the basic needs to the community.

As trustees on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment.

The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of property, plant and equipment.

Stewardship has two components being the:

- a) Financial administration by the Chief Financial Officer; and
- b) Physical administration by the individual asset managers.

Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposal by a local government.

Accounting standards are being adopted by the Accounting Standards Board per instructions of the Accounting General, to ensure the appropriate financial treatment for property, plant and equipment. The requirements of these new accounting standards include:

- a) The compilation of asset registers covering all property, plant and equipment controlled by the municipality.
- b) Accounting treatment for the acquisition, disposal, recording, valuation, condition assessment, impairment and depreciation of property, plant and equipment.
- c) The standards to which these financial records must be maintained.

3. Objective

- To ensure the effective and efficient control, utilization, safeguarding and management of a municipality's property, plant and equipment.
- To ensure asset managers are aware of their responsibilities with regard to property, plant and equipment.
- To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilization.
- To specify the process required before expenditure on property, plant and equipment occurs.
- To emphasize a culture of accountability over assets.
- To ensure compliance with all legal and accounting prescriptions and requirements.

The Lekwa Local Municipality believes that an asset management policy is essential to ensure effective and efficient utilization of public monies and accountability thereof is heavily dependent on accurate recoding and accounting.

4. Statutory and regulatory framework

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act 117 of 1998
- Municipal Systems Act 32 of 2000
- Division of Revenue Act (enacted annually)
- Municipal Finance Management Act, Act 56 of 2003
- Municipal Asset Transfer Regulations
- Generally Recognized Accounting Practices (GRAP)
 - 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 100 Non-current assets held for sale and discontinued operations
- GRAP 31 Intangible assets
- GRAP 103 Heritage assets

This policy does not overrule the requirement to comply with other policies like Supply Chain Management, tendering or budget policies.

5. Responsibilities and Accountabilities

This must be in line with section 63 of Municipal Finance Management Act, Act 56 of 2003

The Accounting Officer of a municipality is responsible for the management of—

- the assets of the municipality, including the safeguarding and the maintenance of those assets; and
- the liabilities of the municipality. assets of the municipality, including the safeguarding and the maintenance of those assets.

The **Accounting Officer** must:

- Approve the temporary and/or permanent transfer of all moveable assets exceeding approved limits, as stipulated in the “Powers of Delegation” of the municipality.
- 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 standards of generally recognized accounting practice and generally accepted municipal accounting practice;
- The municipality has and maintains a system of internal control of assets, including an asset register; and
- The Executive managers and their teams comply with this policy.
- Report in writing to Council the full facts in the event of an asset or attractive item being demolished, destroyed and damaged or occurrence of any other event materially affecting its value.
- the municipality complies with standards of GRAP;

The Chief Financial Officer is responsible to ensure that the financial investment in the municipality's' assets is safeguarded and maintained.

The **Chief Financial Officer** must ensure that:

- Appropriate systems of financial management and internal control 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 and 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 at standards sufficient to satisfy the requirements of the Auditor-General.
- Financial processes are established and maintained to ensure that the municipality's financial resources are optimally utilized through an appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- The senior managers and asset champions are appropriately advised on 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 they will remain accountable for ensuring these activities are performed.
- The policy and supporting procedures or guidelines are established, maintained and effectively communicated.
- Report in writing to the Accounting Officer the full facts in the event of an asset or attractive item being demolished, destroyed and damaged or occurrence of any other event materially affecting its value.
- Approve the temporary or permanent transfers of movable assets between departments as determined in the "Powers of Delegation" of the municipality.
- Approve the reclassification of assets as attractive items and the subsequent transfer of such items to the departmental attractive item register, as determined in the powers of delegation.

The **Executive Managers** must ensure that:

- Appropriate physical management and control systems are established and maintained for all assets in their area 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 utilization and losses of assets resulting from criminal or negligent conduct are prevented.
- Their asset management system and controls can provide an accurate, reliable and up to date account of assets under their control.
- They be able to justify that their asset plans, budgets and 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 Executive Manager may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.
- Certify in writing at the end of each financial year-end, that he/she has assessed and identified impairment losses on all assets under his/her control.
- Report in writing to the Chief Financial Officer the full facts in the event of an asset or attractive item being stolen, demolished, destroyed and damaged or occurrence of any other event materially affecting its value.
- Approve the temporary or permanent transfers of a movable asset between departments as determined in the "Powers of Delegation" of the municipality.

The **Asset Manager** must ensure that

- Appropriate physical management and control systems are established and maintained for all assets.

- That municipal resources assigned are utilized effectively, efficiently, economically and transparently.
- Any unauthorized, irregular or fruitless or wasteful utilization and losses of assets resulting from criminal or negligent conduct, are prevented.
- That asset management system and controls can provide an accurate, reliable and up to date account of assets.
- To advise and inform the chief financial officer on the acquisition of new assets in order to update inventory lists and subsequently the asset register of the respective department as well as the municipality.
- That all assets of the Municipality are appropriately safeguarded and maintained to the extent necessary that risk management systems are in place and applied.
- The asset manager may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.
- To certify in writing at each financial year-end,
 - That all assets have been assessed and if required which assets need to be impaired,
 - That all assets useful lives have been reviewed;
- The full facts of cases are reported in writing to the chief financial officer, accounting officer and subsequently to the council in the event of an asset or attractive item being stolen, demolished, destroyed, damaged or any occurrence of any other event materially affecting its value.
- Approve the temporary or permanent transfers of a movable asset between departments as determined in the powers of delegation of the municipality.
- The Chief Financial Officer is informed in writing after the completion of a project of acquisition of all moveable and immovable property, plant and equipment to be included for insurance purposes.
- The asset manager must ensure that property, plant and equipment are appropriately utilized and that these assets are used for the purpose that the municipality acquired them; and
- An annual stock take of property, plant and equipment as part of the annual reporting process, as required by regulatory and legislator prescriptions in co-ordination with the chief financial officer, is done. The condition of the asset should be assessed during the verification process and reported to the chief financial officer.

- The asset manager must, in conjunction with HR, on termination of an employee's services, ensure that the respective assets and inventory items lists indicating all items entrusted to the specific asset user, is confirmed to be existent and returned in good order, prior to the final salary payment being made to the employee.
- Ensure inventory lists are verified and kept updated in collaboration with the Chief Financial Officer; and
- Identify obsolete and redundant assets and attractive items at least once per financial year, compile a report and obtain the necessary approval for the disposal thereof.

The **Asset Champion** must:

- Assist the Asset Manager in performing his/her functions and duties in terms of asset management.
- Ensure inventory lists are verified and kept current in collaboration with the Finance Department.
- Identify obsolete and redundant assets and attractive items once per financial year, compile a report and obtain the necessary approval from council for the writing off, disposal of obsolete or redundant assets thereof.
- If no asset champion is appointed, all responsibilities fall within the responsibility of the asset manager.

Safe-Guarding of Assets

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

6. Financial Management

6.1 Pre-Acquisition Planning

Before a capital project is included in the draft municipal budget for approval, the relevant sector department must prove to the asset manager that they have considered the following:

- The projected acquisition and implementation cost over all the financial years until the project is operational;
- The future operational costs and revenue on the project, including tax and tariff implications;
- The financial sustainability of the project over its life including revenue generation and subsidization requirements;
- The physical and financial stewardship of the asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation; and
- The identification and inclusion of the capital project in the integrated development plan, as well as the subsequent linking thereof to the approved strategies and objectives.
- The chief financial officer is responsible to provide assistance, guidance and advice to the relevant sector departments to enable them to achieve their planning requirements.
- The technical specifications and cost as part of demand management and value for money procurement.

6.2 Approval to Acquire Assets

Funds can only be spent on a capital project if:

- The funds have 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;
- Any contract that will impose financial obligations more than two years after the budget year is appropriately disclosed.
- The Chief Financial Officer confirms that funding is available for that specific project, and
- The Supply Chain Management prescripts/procedures have been adhered to;

Every department procuring any items on capital votes or projects should ensure that evidence thereof is kept at hand.

Evidence of procurement is necessary for the recording of details in the fixed asset register to ensure completeness of the audit trail and is required.

On receiving procured assets, departments must ensure that they inform the directorate financial services accordingly, to aid the updating of inventory lists on an ongoing basis as well as ensure the relevant insurance schedules are updated accordingly.

6.3 Funding of Capital Projects

Within the municipality's ongoing financial, legislative or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that will optimize 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.

6.4 Disposal of property, plant and equipment

- 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, subject to stipulations in the municipal asset transfer regulations
- The municipality may transfer ownership or otherwise dispose of an asset other than one contemplated above, 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 or disposal 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.
- A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection, but only after the municipal 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 disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with municipal supply chain management regulation and policy.
- The transfer of assets to another municipality, municipal entity, national departments or provincial departments is excluded from these provisions, provided such transfer is being done in accordance with a prescribed regulatory framework.
- Departments shall report in writing to the Chief Financial Officer on all assets controlled or used by the department concerned, which such Executive 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.
- Disposal and alienation of assets must be done in accordance with the municipal supply chain management policy and municipal asset transfer regulations.
- The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the act, are as follow:
 - a) Movable assets:
 - the asset is uneconomical to repair;
 - the asset is irreparable;
 - the relevant department has no further use for the assets; and
 - no other department requires the asset.
 - b) Immovable assets:
 - The relevant department has no further use for the asset;
 - no other department requires the asset;
 - a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community; and
 - where created specifically for sale or rental to public.
 - A technical report from an expert in an event of a immovable asset is considered as obsolete.
- The disposal of assets must:

- a) be one of the following methods:
 - transferring the asset to another organ of state in terms of a provision of the act enabling the transfer of assets;
 - transferring the asset to another organ of state at market related value or, when appropriate for a lesser amount or free of charge;
 - selling the asset; or
 - destroying the asset.
- b) provided that –
 - immovable assets may be sold at not less than market related prices except when the public interest or the plight of the poor demands otherwise, by means of public tenders, public auction or over the counter on a first come first serve basis;
 - movable assets may be sold either by way of written price quotations, public tenders, public auction whichever is the most advantageous;
 - in the case of the free disposal of computer equipment, the provincial Department of Education must first be approached to indicate within thirty (30) days whether any of the local schools are interested in the equipment; and
 - in the case of the disposal of firearms, the National Conventional Arms Control Committee has to approve any sale or donation of firearms to any person or institution within or outside the Republic.
- c) furthermore, ensure that –
 - immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
 - all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting immovable property are annually reviewed.
- d) ensure that where assets are traded in other assets, the highest possible trade-in price is negotiated.

The disposal of immovable assets is further subject to the following principles:

- a) payment of the full purchase price and all estimated costs pertaining to the transaction upon signature of the deed of sale, in cash; and
- b) all costs (advertising, rezoning, obtaining of a valuation, etc.) pertaining to the transaction shall be borne by the purchaser.

- Once the assets are alienated or disposed of, 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.

6.5 Loss, theft, destruction and impairment of fixed assets

Asset managers must ensure that all incident of loss, theft, destruction, or material, impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer and in cases of suspected theft or malicious damage to the South African Police Service.

Upon confirmation and after an internal investigation, all cases of loss, theft, destruction must be reported to council.

The internal investigation will also determine who is liable for the loss.

7. Internal Controls

7.1 Fixed Asset Register

7.1.1 Establishment and Management of the Fixed Asset Register

- The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- The Executive Managers are responsible for establishing and maintaining of additional registers or databases required to demonstrate the physical management of their assets and/or attractive items.
- The Executive Managers are responsible to implement and maintain additional registers or databases to substantiate the quantity, value and location of their inventory items not contained in the Fixed Asset Register.
- The Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, and location and condition of all assets in the Fixed Asset Register as well as other additional registers.

7.1.2 Contents of the Fixed Asset Register

The asset register shall be maintained in the format determined by the Chief Financial

Officer, which shall comply with the requirements of GRAP.

The Asset Register will include, inter alia, the following information pertaining to individual assets:

- The measurement based used
- The depreciation methods used
- The estimated useful life
- The remaining useful life
- Depreciation charges (current year)
- The carrying amount
- The accumulated depreciation
- Date of acquisition
- Date and price of disposal (if relevant)
- Increase or the decrease resulting from re-valuations (if relevant)
- Physical location (GPS coordinates)
- The responsible Asset user or department
- Cost Centre of user department
- Unique ID code
- Brief but meaningful description
- Identification number where applicable
- Valuation
- Impairment losses
- Source of finance if relating to a project or donation
- Latest condition assessment

7.1.3 Internal Controls over the Fixed Asset Registers

- Controls around the asset register should be sufficient to provide an accurate, reliable and up to date account of assets under control to the standards specified by the Chief Financial Officer and required by the auditor-general.
- These controls will include physical management and recording of all acquisitions, assignments, transfers, losses and disposals of assigned asset as well as regular stock-takes and system audits to confirm the adequacy of controls.

7.1.4 General management of assets

7.1.4.1 The Chief Financial Officer will undertake annual asset verification.

7.1.4.2 Each Department must advise the Chief Financial Officer, in writing, of capital work-in progress (WIP) at the end of the financial year.

7.1.4.3 Sector Departments must advise the Chief Financial Officer, promptly in writing whenever capital work-in-progress is completed, for inclusion in the asset register

7.1.4.4 Sector Departments must notify the Chief Financial Officer about any new acquisition of asset in writing for inclusion in the asset register

7.1.4.5 Sector Departments must keep a maintenance record for any repairs and maintenance as well as refurbishments as large improvements will have a direct impact on the condition of assets.

7.1.5 Transfers of assets

- Asset transfers must be done in writing

7.1.6 Verification of assets

- The Municipality shall perform full asset verification at the end of each financial year.

7.1.7 Insurance of assets

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

(a) Definition and rules

- (i) Insurance provides selected coverage for the accidental loss of asset value.

(b) Policy on insurance of fixed assets

- (ii) The Municipal Manager shall ensure that material movable and immovable assets in value and substance are insured at least against destruction, fire and theft, and that all municipal buildings are insured at least against fire and allied perils.
- (iii) The municipality must adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster.

7 POLICY FOR SAFEGUARDING FIXED ASSETS

a) Definitions and rules

- (i) The municipality applies controls and safeguards to ensure that fixed assets are protected against improper use, loss, theft, malicious damage or accidental damage.
- (ii) The existence of assets is physically verified from time-to-time, and measures adopted to control their use and movement.

b) Policy for safeguarding of fixed assets

- (i) Internal control measures should be reviewed each year to ensure that all fixed assets under control of the municipality are appropriately safeguarded from inappropriate use or loss.
- (ii) The existence, condition and location of assets shall be verified bi-annually (in line with the assessment of impairment).
- (iii) No asset may be moved without the prior consent of the respective General Manager and notification of the CFO.

c) Responsibilities to ensure safeguarding of fixed assets

- i. Each Executive Managers shall report, within the time frame indicated by the CFO, the existence, condition, location and appropriate use of fixed assets under the control of their respective departments at the review date.
- ii. The CFO shall establish procedures for the effective management of movement of assets from one location to another (both internal and external), transfers of assets from one custodian to another, and reporting damage, in consultation with the Executive Managers.
- iii. Executive Managers shall enforce the application of the procedures for controlling the movement of assets as prescribed by the CFO.
- iv. Executive Managers shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- v. Malicious damage, theft, and break-ins must be reported to the Municipal Manager or delegated person within 48 hours of its occurrence or awareness by the respective Executive Managers
- vi. The Municipal Manager must report criminal activities to the South African Police Service.

7.2 Physical Receipting and Management

- The supply chain manager must ensure, in co-operation with the asset manager, that the purchase of property, plant and equipment is procured and complies with the municipality's supply chain management policy.
- The accountant asset management will reconcile monthly all assets procured.
- The supply chain unit will manage the receipting of property, plant and equipment.
- The process of receipting by the supply chain unit will include:
 - review of the authority to purchase including compliance with all procurement policies and budgetary limits.
 - assignment of the asset to the appropriate sector department

Date of Acquisition

The date of acquisition of property, plant and equipment is deemed to be the time when legal title and/or control passes to the municipality.

The date of acquisition may vary for different categories of assets but will usually be on the date of the invoice, when the risk and reward has been transferred for that item of property, plant and equipment is made.

Date of the completion certificate will be used as a date of acquisition for Capital Projects

Work in Progress

The Asset Manager will, in conjunction with Sector Departments, maintain a work in progress register.

7.3 Transfer of Assets between Sector Departments

7.3.1 Permanent transfers to another Department

The Executive Manager retains managerial accountability and control for a particular asset unless:

- Another Executive Manager agrees in writing to accept responsibility for that asset in accordance with financial limits as laid down in the Delegation of Authority
- The new Executive Manager, accepts all accountabilities of the previous Executive manager for the transferred asset

- The Manager Finance appropriately amends the Fixed Asset register for all approved transfers, where after such physical transfers are permitted to take place.
- The new Executive manager has made the necessary budget provisions to cater for the accompanying costs of the asset.

7.3.2 Reallocation or Reassignment of Property, Plant or Equipment

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

7.3.3 Verification of fixed assets

The Executive Manager must ensure that all movable property, plant and equipment is duly checked, processed and identified (marked with a unique label number) before it is received into their stewardship.

The Asset manager will perform an annual stocktake of property, plant and equipment as part of the annual reporting process in coordination with the chief financial officer. The condition of the assets should be assessed during the verification process and be reported to the chief financial officer.

The results of the annual stock take, in hard copy format, must be signed by the Asset manager and the Executive Manager of each relevant Department and be displayed in relevant locations.

Executive managers must, on an ongoing basis, keep record of assets which are redundant and/or obsolete to be written off, and must advise the Chief Financial Officer in writing of these prior to the submission of the annual financial statements, to ensure accounting treatment thereof is accounted for correctly in the said financial year.

8. Management of Assets

8.1 Management of attractive and individual inventory items

Assets costing less than R 2 500.00 and with an expected lifespan of less than twelve (12) months are deemed to be attractive items unless that type of asset is specifically excluded by the Chief Financial Officer.

The requirements to manage attractive items include:

- a) Receipting these items through specified control points and lists
- b) Maintaining and updating a control register with these receipts.
- c) Delivery and assignment of an attractive items to a specified position.
- d) Regular stock takes by the Asset Champion to ensure these attractive items are being appropriately safeguarded.
- e) Regular audits by the finance department to ensure attractive items are being appropriately managed by the assigned persons.
- f) Recording and reporting of any disposal or loss of these attractive items to the CFO and adjustment of the attractive items register.

Attractive items:

- a) Will not be depreciated
- b) Will not be revalued
- c) Will not be impaired
- d) Will not be recorded in the fixed asset register
- e) Will not be treated as an asset.
- f) Will be budgeted for under a specified line item in the operating budget as per the control list.

Water and Electricity Meters will also meet the definition of inventory considering the following in classification:

Inventories are assets that are held for sale, distribution, or consumption in the provision of services. When sold, these meters will be owned by the residential owners. Water and electrical meters will

thus meet the definition of inventory until control of the meters is transferred (issued and installed) to the residential owner.

Meters installed to indigenous areas will not be sold and will be accounted for as donations with the ownership also ultimately transferred to the indigenous owner.

For reasons above, all meters will be placed on a control list that will be accompany the fixed asset register but not be accounted for within the fixed asset register.

Bulk meters are accounted for in the fixed asset register as these assets are procured and installed on the network for internal control purposes. Bulk meters remain the property of the municipality and are used to control losses and the consumption of various areas within the municipal electrical and water network. The municipality subsequently have full control of these bulk water meters.

8.2 Accountability to manage property, plant and equipment

Each Executive Manager is accountable to ensure that municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This would include:

- Developing appropriate asset management systems, procedures, processes and controls for managing assets.
- Providing accurate, reliable and up to date account of assets under their control.
- The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the municipality's strategic objectives.

8.3 Contents of a strategic asset management plan

Executive Managers need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long-term cost. To achieve this, the Executive Manager will need to develop strategic asset management plans that cover:

- Alignment with the Integrated Development Plan
- Operation guidelines;

- Performance monitoring;
- Maintenance programs;
- Renewal, refurbishment and replacement 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 this strategic asset management plan.

8.4 Reporting on Emerging Issues

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

9. Classification, aggregation & components

9.1 Classification of property, plant and equipment

Any asset recognized as an asset under this policy will be classified according to categories as per the relevant accounting standards. These categories have been specified by the Accounting Standards Board and currently are included in GAMAP 17 and GRAP 17.

All fixed assets will be classified under the following headings in the asset register:

Property, plant and equipment

- a) Land
- b) Buildings (not held as investment assets)
- c) Community assets (resources contributing to the general well-being of the community)
- d) Infrastructure assets (assets which are part of a network of similar assets such as water, waste water, electricity, roads and stormwater)

- e) Moveable assets (Computer equipment, Furniture and office equipment, machinery and equipment)
- f) Transport assets
- g) Heritage assets
- h) Intangible assets

The Chief Financial Officer may agree to subdivide these classifications further.

9.2 Investment Property

- Investment assets shall be accounted for separately and shall not be classified as property, plant and equipment.
- Investment assets shall comprise land or buildings (or parts thereof) both held by the municipality, as owner or as lessee under a finance lease to earn rental income or for capital appreciation or both.
- Investment assets shall not depreciate but shall be annually valued balance sheet date to determine their fair (market) value.
- Adjustments to the previous year's recorded fair value shall be accounted for either gains or losses in the accounting records of the department or service controlling the asset.
- Annual fair value adjustment will be applied by means of a accepted third party expert or available financial information compiled by an expert.

Any land or building owned or occupied by the municipality with the intention of selling such property in the ordinary course of business, or any land or building owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as investment property.

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.

9.3 Inventory Asset

Any land or building owned or occupied by the municipality which is earmarked for National housing projects with the Department of Human settlements and with the intention of selling such property as part of the project, or any land or building owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory assets.

9.4 Optional Treatment for major component

An Executive Manager may, with agreement of the Chief Financial Officer, treat specified major components of an item of property, plant and equipment as a separate asset for the purposes of this policy.

These major components may be defined by its physical parameters (e.g. reservoir roof) of its financial parameters (e.g. road surface).

In agreeing to these treatments the CFO must be satisfied that these components:

- Have a significantly different useful life or usage pattern to the main asset;
- Align with the asset management plans;
- The benefits justify the costs of separate identification;
- 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 gained control over the asset;
- The cost is above the recognition threshold; and
- The asset is expected to be used during more than one financial year.

Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.

All other replacements, renewals of refurbishments of components will be expensed.

9.5 Recognition of network asset

A network asset is a collection of assets that work together as a whole to deliver specified service or economic benefit. e.g. electrical network, roads network, IT system network, etc.

A network asset should be recognized as an asset on the asset register.

The Asset Manager is accountable for the management of the registers required to financially verify the value of a network asset.

9.6 Unbundling of Assets

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

10. Accounting for Property, Plant and Equipment

10.1 Recognition of property, plant and equipment

An item of property, plant and equipment will be recognized as an asset when:

- a) It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality.
- b) The cost of the asset to the municipality can be measured reliably;
- c) The municipality has gained control over the asset;
- d) The cost is above the recognition threshold; and
- e) The asset is expected to be used during more than one financial year.

All other acquisitions of property, plant and equipment will be expensed.

If property, plant and equipment is constructed over more than one financial period it shall be recognized as work-in-progress until available for use.

10.2 Initial measurement

An item of property, plant and equipment that qualifies for recognition as a non-current asset should be initially measured at its “cost of acquisition”.

This “cost of acquisition” will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs usually include the following:

- a) Purchase costs (less any discount given)
- b) Cost of site preparation
- c) Delivery costs
- d) Installation costs
- e) Professional fees for architects and engineers
- f) Import duties
- g) Non-refundable taxes
- h) Site development costs
- i) Contractor fees

Capitalization of cost stops/seizes when the asset is in the condition and location necessary for it to be capable of operating in the manner intended by management.

10.3 Donations or exchanges

Where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value or deemed cost, as determined by the chief financial officer.

The relevant head of the department will be tasked with the duty to obtain the supporting documents from the applicable transferring entity that is donating the assets to ensure that the donated assets are substantiated with sufficient and appropriate audit evidence. Furthermore, the section manager will ensure that a transferring letter is signed by the donating entity which will include a detailed description of the assets that are being transferred, as well as the cost related to the donated assets that agree to the supporting evidence.

If no donation documents are available, but the Municipality is in control of the asset as well as its wellbeing, the said asset will be accounted for at a deemed cost on the date of which in use is confirmed by management, with sufficient audit evidence.

10.4 Recognition threshold

To ensure efficiency in the administration of this policy, the recognition of property, plant and equipment as an asset will be limited to items costing R2 500.00 or more. The recognition of items costing below R 2500.00 will be treated as "Attractive Items". The acquisition of property, plant and equipment costing less than R1 000 will be "Individual Inventory Items" and be expensed in the operating budget.

For major repair and refurbishments done to fixed assets the discretion of the CFO will be considered, if the amount is significant and if it will be capitalized as subsequent expenditure or expensed in the operating budget.

10.5 Carrying amount on property, plant and equipment

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

10.6 Depreciation

- All fixed assets, except land and heritage assets shall be depreciated or amortised in the case of intangible assets.
- The depreciable amount of an item of property, plant and equipment should be allocated on a systematic basis over its useful life.
- The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by the municipality.
- The depreciation charge for each period will be recognized as an expense against the budget of the relevant Executive manager where the asset is used or consumed unless it is included in the carrying amount of another asset.
- The depreciation method will be straight line unless the chief financial officer is convinced that another method is more appropriate.
- Depreciation will be calculated daily to all the depreciating assets of the municipality
- Depreciation of an asset will commence once the asset is available for use through:
 - being in the location for it to be capable of operating in the manner intended; and
 - being in the condition for it to be capable of operating in the manner intended.
- The procedures to be followed in accounting and budgeting for the amortization of the intangible assets shall be identical to those applying for the depreciation of other fixed assets.

10.7 Initial determination useful life

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

- The operational, maintenance, renewal and disposal 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 municipalities needs;
- Technological obsolescence;
- Social obsolescence due to changing demographics; and
- Legal obsolescence due to statutory constraints.

GAMAP 17 provides a schedule of useful lives (included as an annexure). These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommended lives.

Spares purchased specifically for a particular asset, or class of asset, 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.

10.8 Review of useful life (Impairment)

The remaining useful life of an item property, plant and equipment should be reviewed annually and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.

Assets that have come to the end of their estimated useful lives but are still used and are in good condition may have their remaining useful lives revised in order to reflect the current condition of the assets.

Changes may also be required as a result of impairment. Depreciation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

10.9 Review of depreciation method

The depreciation method applied to property, plant and equipment should be reviewed annually, and if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.

When such a change in depreciation method is necessary the change should be accounted for as a change in accounting estimate and the depreciation charge for the current, and future periods should be adjusted.

10.10 Review of residual value

The residual value of an item of property, plant and equipment should be reviewed annually, and this amount may increase to an amount equal to or greater than the asset(s) carrying amount.

If expectations differ from previous estimates, the change shall be accounted for as a change in accounting estimate and the depreciation charge for the current and future periods should be adjusted.

10.11 Subsequent expenditure on property, plant and equipment

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.

All other expenditure should be recognized as an expense in the period in which it occurred.

Before allowing the capitalization of the subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure significantly:

- Increase the life of that asset beyond that stated in the asset register; or
- Increase the quality of service of that asset beyond the existing level of service; or
- Increase the quantity of services that asset can provide; or
- Reduces the future assessed costs of maintaining that asset.

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

Where it is desired to capitalize future component replacements, refurbishments or renewals, refer to the section of major components in this policy.

10.12 Reduction of the carrying amount

The carrying amount of a non-current asset should be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount. Recoverable amount is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognized as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve.

For assets providing economic benefits, the recoverable amount is the net present value of future ownership. For assets providing future service delivery, the recoverable amount is the

remaining proportion of its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance program.

10.13 Subsequent increase in recoverable amount

A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount should be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

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.

10.14 Impairment of assets

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

The carrying amount (Book value) 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.

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 work 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 item of PPE has become 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.
- excessive maintenance is required on the asset;
- asset not completed before it is in a usable condition; and/or
- decline in land market value.

- Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.
- Land or investment property is illegally occupied by a party other than the municipality.

The following steps will have to be performed to account for impairment losses:

Executive Managers will identify and inform the Chief Financial Officer of assets that:

- Are in a state of damage at year end
- Are technologically obsolete at year end. This can be facilitated if Executive Managers require Budget and Treasury Office, to supply them with a Fixed Asset Register print-out pertaining to major assets showing the remaining useful lives of assets. The Executive Managers can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout.
- Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
- Have been destroyed or damaged due to acts of God;
- require excessive maintenance.
- 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.

Net Selling price: is the amount obtainable from the sale of an item on the market in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

Value in use: is the present value of the estimated future net cash inflows expected from the continuing use of the asset and from its disposal at the end of its useful life.

- The recoverable amounts of these assets need to be calculated by calculating the Net Selling Price per asset as defined above.
- The impairment loss per asset needs to be calculated as the difference between the Net selling price and the book value of the asset.
- The impairment loss needs to be accounted for by identifying the relevant funding source.

- The carrying amount of an asset should be reviewed annually 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 recognized as an Impairment expense immediately, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Reserve.
- For assets providing economic benefits, the recoverable amount is the net present value of future ownership.
- For assets providing future service delivery, the recoverable amount is the remaining proportional to its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance programs.

10.15 Accounting treatment on Disposal

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

10.16 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 capitalized.

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 capitalized, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalized as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

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

Capital Expenditure	Maintenance
<ul style="list-style-type: none"> • acquiring a new asset • replacing an existing asset • enhancing an existing asset to that its use is expanded • further developing an existing asset so that its remaining useful life is extended 	<ul style="list-style-type: none"> • restoring an asset so that it can continue to be used for its intended purpose • maintaining an asset so that it can be used for the period for which it was initially intended

10.17 Assets held under leases

Johannes, please comment on 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. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement. The asset is then depreciated over its expected useful life.

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

Mobile devices such as cell phones are not considered as an asset as it is used by a Municipal Employee that takes control over the asset after the expiry date of the contract. No mobile telephone will be capitalised within the FAR. All cell phones, under term contracts remain the property of the service provider.

10.18 (all investment property was mentioned in section 9)

10.19 (mentioned in section above)

10.20 Recognition of heritage assets in the fixed asset register

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 fixed asset register without an indication of the costs or fair value concerned. For statement of financial performance purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

10.21 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 non-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.

10.22 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.

11. Financial Disclosure

The financial statements should disclose, in respect of each class of property, plant and equipment classified under the categories of land and buildings, infrastructure, community, heritage and other assets:

- a) The measurement base used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed.
- b) The depreciation methods used.
- c) The useful lives or the depreciation rates used.
- d) Depreciation charged in arriving at net surplus or deficit for the period.
- e) The gross carrying amount and the accumulated depreciation at the beginning and the end of the period.
- f) A reconciliation of the carrying amount at the beginning and end of the period showing:
 - i. Additions
 - ii. Disposals
 - iii. Acquisition through business combinations
 - iv. Increases or the decreases resulting from revaluations
 - v. Deductions in carrying amount
 - vi. Amounts written back
 - vii. Depreciation

viii. Other movements

The financial statements should also disclose:

- Whether or not, in determining the recoverable amount of items of property, plant and equipment, expected future cash flows have been discounted to their present values.
- The existence and amounts of restriction on title and property, plant and equipment pledged as security for liabilities.
- The accounting policy for restoration costs relating to items of property, plant and equipment.
- The amount of expenditures on account of property, plant and equipment in the course of construction; and
- The amount of commitments for the acquisition of property, plant and equipment.

When items of property are stated at revalued amounts, the financial statements should disclose:

- The basis used to revalue the assets.
- The effective date of revaluation.
- Whether an independent value was involved.
- The nature of any indices used to determine replacement cost.
- The carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less depreciation.
- The revaluation surplus, detailing the movement for the period.
- The portion of the depreciation charge relating to the revaluation.

12. REVIEW

This policy will be reviewed at least annually or when required by way of a council resolution.

13. SHORT TITLE

This policy shall be called the Asset Management Policy of the Lekwa Local Municipality.

ASSET CATEGORIES

1. Immovable Assets

a) Infrastructure assets

- electricity network assets
- water networks and related assets
- wastewater networks and related assets
- roads, bridges, and storm water
- waste management: landfill sites and transfer stations

b) Investment property

c) Building assets

- Municipal occupied service buildings

d) Community assets

- parks & gardens
- sport fields and stadium
- swimming pools
- community halls
- libraries
- recreational facilities
- fire, safety and emergency
- security and policy
- clinics
- museums and art galleries
- cemeteries
- social rental housing

e) Heritage assets

- Buildings

f) Intangible assets

- Servitudes

g) Agricultural assets

- biological assets

h) Other assets

- abattoirs
- markets
- civic land and buildings
- other land
- other buildings

i) Work-in-progress

2. Movable Assets

a) Other Assets

- office equipment
- furniture and fittings
- bins and containers
- emergency equipment
- motor vehicles
- aircraft
- watercraft
- plant and equipment
- specialized vehicles

b) Intangible Assets

- computer software & programming

c) Heritage Assets

Useful life of Assets (GRAAP 17)

Infrastructure Assets	Asset Life (years)	Community Assets:	Asset Life (years)
Electricity:		Buildings (continue):	
Power Stations	45 years	Libraries	50 years
Cooling Towers	30 years	Museums / Art galleries	30 years
Transfer Kiosks	45 years	Parks	50 years
Meters	20 years	Public	30 years
Load control equipment	20 years	Conveniences / bathhouses	30 years
Switchgear equipment	45 years	Recreation centers	50 years
Supply / reticulation	20-50 years	Stadiums	30 years
Mains		Zoos	30 years
Roads:		Gas:	
Motorways	20-50 years	Meters	20 years
Other roads	10-50 years	Mains	20 years
Traffic islands	10 years	Storage tanks	20 years
Traffic lights	15 years	Supply / reticulation	20 years
Street lightning	25-45 years		
Overhead bridges	30 years	Sewerage:	
Storm water drains	10-50 years	Sewers	15-60 years
Bridges, subway & culverts	30 years	Outfall sewers	15-60years
Car parks	10-50 years	Purification works	15-60years
Bus terminals	10-50 years	Sewerage pumps	15-60 years
		Sludge machines	15-60 years
Community Assets:			
		Pedestrian malls:	
Buildings:		Footways	20 years
Ambulance stations	30 years	Kerbing	20 years
Aquariums	30 years	Paving	20 years
Beach developments	30 years		
Care centers	30 years	Airports:	
Cemeteries	50 years	Aprons	20 years
Civic theatres	50 years	Runways	20 years
Clinics / Hospitals	50 years	Taxiways	20 years
Community centers	50 years	Airport / Radio beacons	20 years

LEKWA LOCAL MUNICIPALITY ASSET MANAGEMENT POLICY

Fire station	50 years		
Game reserves / Rest camps	30 years		
Indoor sports	30 years		

LEKWA LOCAL MUNICIPALITY ASSET MANAGEMENT POLICY

Recreational Assets	Asset Life (years)	Other Assets (continue) :	Asset Life (years)
Facilities :		Buildings (continue) :	
Bowling greens	20 years	Office buildings	50 years
Tennis courts	20 years	Old age homes	30 years
Swimming pool	20 years	Quarries	30 years
Golf course	20 years	Tip sites	30 years
Jukskei pitches	20 years	Training centers	50 years
Outdoor sport facilities	20 years	Transport facilities	50 years
Organ & Case	20 years	Workshop / depots	50 years
Lakes and dams	20 years		
Fountains	20 years	Office equipment :	
Floodlighting	20 years		
		Computer hardware	5 years
Security measures :		Computer software	3 years
Fencing	3 years	Office machines	5 years
Security systems	5 years	Air conditioners	5 years
Access control	5 years		
		Furniture and fittings :	
Water :		Chairs	5 - 15 years
Meters	15 years	Tables / desks	5 - 15years
Mains	20 years	Cabinets / cupboards	5 -15 years
Rights	20 years	Miscellaneous	5 - 15years
Supply / reticulation	20 years		
Reservoirs & Tanks	20 years	Bins and containers :	
		Household refuse bins	5 years
Other assets :		Bulk containers	10 years
Buildings :		Emergency equipment :	
Abattoirs	30 years	Ambulances	5 years
Asphalt plant	30 years	Fire hoses	10 years
Cable stations	30 years	Emergency lights	5 years
Caravan parks	30 years		
Cinemas	30 years	Motor vehicles :	
Compacting stations	30 years	Fire engines	10 years
Hotels – Public / Tourist	30 years	Buses	5 - 10 years
Hotels – Workers	30 years	Passenger vehicles	5 - 10 years
Housing schemes	50 years	Motor cycles	3 - 10 years
Kilns	30 years	Truck / ldvs	10 years
Laboratories	30 years		
Markets	30 years	Workshop equipment	5-10 years
Nurseries	30 years		