



ASSET MANAGEMENT POLICY

1 JULY 2015 – 30 JUNE 2016

MSUKALIGWA

LOCAL MUNICIPALITY

(MP 302)

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1. PREAMBLE

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

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

This document provides for:

- i. Fair criteria in the evaluation of application for a cellular phone allowance;
- ii. Standardised documentation upon application; and
- iii. Uniform guidelines in respect of processes, usage, management and maintenance of assets.

2. DOCUMENT DEFINITION

2.1 Review

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

2.2 Background

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

- ii. Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment; and
- iii. The standards to which these financial records must be maintained.

2.3 Effective Date

The Asset Management Policy and Procedure Manual will come into effect from _____ as per Council resolution _____.

3. TERMINOLOGY

3.1 Definitions

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

by a Municipality for use in the production of goods or supply of goods as services, for rental to others for administrative purpose and are expected to be used for more than one period.

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

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

Asset champion	An official delegated by the Asset Manager in his / her department or section to assist him / her in performing asset management related functions.
Asset Register	A data source that records information of individual assets. The recorded information must include, amongst other information, the asset description, unique asset number, location, etc.
Attractive items	Items of property, plant or equipment that is not significant enough for financial recognition in the fixed Asset Register but is attractive enough to warrant special safeguarding. Such items shall be controlled through departmental attractive items (inventory) register
Biological asset	Refers to a living animal or plant.
Book Value	The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses
Capitalisation	The recognition of expenditure as an Asset in the Financial Asset Register.
Capitalisation Threshold	Is the value which assets are treated as capital assets and entered into an asset register from which reporting in the financial statements (specifically the Statement of Financial Position) is extracted.
Carrying amount	The amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation thereon.
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction plus cost incidental to the acquisition or acquirement. Also known as historical cost / value.
Cost of acquisition	All the costs incurred in bringing an item of plant, property or equipment to the required condition and location for its intended use.
Deferred maintenance	The extent of preventative maintenance that has not been performed.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life and therefore reflects the consumption of economic benefit or service potential of the asset.
Depreciable amount	The cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value
Disposal	The process when an asset becomes surplus, redundant, obsolete, unserviceable or irreparable; the Municipality will dispose of such assets

		which include transfer, sale, donation in a manner that maximizes the useful life of the asset without incurring operating costs that exceed the benefits derived.
Fair value		The amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
Financial Register (FAR)	Asset	The controlled register recording the financial and other key details for all municipal assets recognised in accordance with this policy
GRAP		Stands for "generally recognized accounting practice" and is part of Generally Accepted Accounting Practices.
Impairment		Is when the recoverable amount of an asset is less than the costing value of such an asset. (Refer to IAS 36)
Infrastructure Assets		Defined as assets that are part of a network or similar assets, are specialized in nature and do not have alternative use, they are immovable and / or subject to constraints on disposal. Example – Roads, water, reticulation schemes, sewer purification, electricity assets and trade mains.
Investment property		Defined as a property (lane / building or part of building or both) held by owner or by the lessee under finance lease to earn rentals or for use in production or supply of goods or services or for administrative purposes as in the ordinary course of operations.
Maintenance		Is considered operating expenses incurred in ensuring that the useful operating life of assets is attained.
Other assets		Defined as assets utilized in operations, except any land as buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business; or Land or buildings owned by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary cause of business, shall be accounted for as inventory, and not included as either PPE or Investment Property. Example – Plant & Equipment.
Preventative maintenance		Maintenance which is required on a systematic basis to ensure that the original assessed future economic benefit or potential service portion or relevant asset is realized hence that the fixed asset reaches its estimated useful life.
Replacement value		The net amount that the Municipality expected to obtain
Recoverable amount		The amount that the Municipality expects to recover from the future use of an asset, including its residual value on disposal.
Recognition		The process by which expenditure is included in the Financial Asset Register as an asset (s).
Residual value		Is the net amount that the Municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
Senior manager		Manager referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.
Stewardship		The act of taking care of and managing property, plant or equipment on

behalf of another.

Useful life

Is either:

The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the Municipality; or

The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the Municipality.

4. POLICY STATEMENT

4.1 Introduction

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

4.2 Overall Objectives

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

4.3 Communication

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

4.4 Responsibility

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

4.5 Availability

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

5. LEGISLATIVE FRAMEWORK

- a) The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:
 - i. Providing demographic and accountable government for local communities;
 - ii. Ensuring the provision of services to communities in a sustainable manner;
 - iii. Promoting social and economic development;
 - iv. Promoting a safe and healthy environment; and
 - v. Encouraging the involvement of communities and community organisations in matters of local government.
- b) This policy must comply with all relevant legislative requirements including:
 - i. The Constitution of the Republic of South Africa, 1996;
 - ii. Municipal Structures Act, 1998;
 - iii. Municipal Systems Act, 2000
 - iv. Division of Revenue Act (enacted annually);
 - v. Municipal Finance Management Bill, 2002;
 - vi. Municipal Finance Management Act – Final Asset Management Guide; and
 - vii. Municipal Asset Transfer Regulation.
- c) Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognised accounting standards include:
 - i. IAS 36 Impairment of assets;
 - ii. GRAP 16 Investment property;
 - iii. GRAP 17 Property, Plant and Equipment;
 - iv. GRAP 100 Non-current assets held for sale and discontinued operations; and
 - v. GRAP 102 Intangible assets.
- d) This policy will be updated annually or whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of property, plant and equipment.
- e) This policy does not overrule the requirement to comply with other policies like procurement, tendering or budget policies. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations. In any event legislative requirements take precedence over any local policy.

(MFMA final asset management guide section 1.3)

6. ACCOUNTABILITIES AND RESPONSIBILITIES

- a) The Municipal Manager is accountable for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.
- b) The Municipal Manager must ensure that:
 - i. The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality;

- ii. The Municipality's assets are valued in accordance with standards of generally recognised accounting practice;
- iii. That the Municipality has and maintains a system of internal control of assets , including an Asset Register;
- iv. That senior managers and their teams comply with this policy; and
- v. Approve temporary and / or permanent transfers of moveable assets between departments.

(Municipal Asset Transfer Regulation section 5)

(MFMA section 64)

(Municipal Systems Act, section 86A (1) (g))

- c) Under the scheme of delegation The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the municipalities' assets is safeguarded and maintained.
- d) The Chief Financial Officer must ensure that:
 - i. Appropriate systems of financial management and internal control are established and carried out diligently;
 - ii. Systems are established in order that the financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently;
 - iii. Systems are established to prevent any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct.
 - iv. The systems, processes and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General.
 - v. Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilised through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
 - vi. The Municipal Manager is advised on the exercise of powers and duties pertaining to the financial administration of assets;
 - vii. The senior managers and senior management teams are advised on the exercise of their powers and duties pertaining to the financial administration of assets;
 - viii. This policy and any supporting procedures or guidelines are established, maintained and effectively communicated.
 - ix. Within the scheme of delegation the Chief Financial Officer may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.
 - x. Approve reclassification of assets as alternative items and subsequent transfer of such items to departmental attractive item register.
- e) Asset Manager must ensure that:
 - i. Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility;
 - ii. The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently;
 - iii. Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
 - iv. Their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control.

- v. They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the Municipality's strategic objectives.
- vi. Within the scheme of delegation the Asset Manager may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.
- vii. To certify in writing at each financial year-end that he / she has assessed all assets under his / her control for impairment, and review of useful lives.
- viii. The full facts of cases are reported in writing to the Chief Financial Officer, Accounting Officer and subsequently to the Council in the event of an asset or attractive item being demolished, destroyed, damaged or any occurrence of any other event materially affecting its value.
- ix. Approve the temporary or permanent transfers of a moveable asset between departments as determined in the "Powers of Delegation" of the Municipality.
- x. The Chief Financial Officer is informed in writing at least once per annum, of all moveable and immoveable property, plant and equipment to be included for insurance purposes.
- xi. An annual stock take of property, plant and equipment as part of the annual reporting process, required by regulatory and legislator prescriptions in co-ordination with the Chief Financial Officer, is done.

(MFMA final asset management guide section 4.1.2.1)

f) Asset holder:

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

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

(MFMA final asset management guide definitions – see asset custodian)

7. FINANCIAL MANAGEMENT

7.1 Pre-Acquisition Planning

- a) Before a capital project is included in the budget for approval, the Asset Manager must demonstrate that they have considered:
 - i. The projected cost over all the financial years until the project is operational;
 - ii. The future operational costs and revenue on the project, including tax and tariff implications;
 - iii. The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
 - iv. The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
 - v. The inclusion of this capital project in the integrated development plan and future budgets; and
 - vi. Alternatives to this capital purchase.

- b) The Chief Financial Officer is accountable to ensure the Asset Manager receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

(MFMA final asset management guide section 3.3.3.1)

- c) As soon as the planning has been conducted, the Supply Chain Management department is responsible for the acquisition of the assets.

7.2 Approval to Acquire Property Plant and Equipment

- a) Money can only be spent on a capital project if:
- i. The funds have been appropriated in the capital budget;
 - ii. The project, including the total operational and capital costs, has been approved by the Council;
 - iii. The CFO confirms that funding is available for that specific project;
 - iv. Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed;
 - v. The spending would not result in overspending unless the virement procedures have been applied;
 - vi. Every department procuring any items on capital votes or projects should ensure that evidence thereof is kept at hand;
 - vii. 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; and
 - viii. On receiving procured assets, departments must ensure that they inform the Finance Department accordingly, to aid the updating of inventory lists on an on-going basis.

(MFMA final asset management guide section 3.3.3.2)

- b) The relevant department with the need for assets should complete the requisition form and obtain approval from the relevant supervisor and director. The approved form is submitted to SCM and Finance for further approval and the ordering of the assets.
- c) Money can only be spent on a capital project if:
- i. The funds have been appropriated in the capital budget; and
 - ii. The project, including the total operational and capital costs, has been approved by the Council.
- d) Ensure that new assets are only bought in accordance with the approved capital budget and not the operational budget.

7.3 Funding of Capital Projects

- a) Within the Municipality's on-going financial, legislative or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimise the Municipality's ability to achieve its strategic objectives as stated in the Integrated Development Plan.
- b) The acquisition of assets will not be funded over a period longer than the useful life of that asset.

(MFMA final asset management guide section 3.3.2.1)

7.4 Replacement Planning

- a) The asset will only be replaced if:
- i. It has reached the end of its economic life;
 - ii. It was lost, stolen or non-repairable;

- iii. It has become unserviceable;
- iv. It is not economical to continue using the asset when a replacement would ultimately bring economic saving benefit;
- v. It has been superseded by a later or more technologically superior model; and
- vi. There is a continuing need for the service provided by the asset in question or economic benefit.

7.5 Disposal of Property, Plant and Equipment

- a) The Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a non-current asset needed to provide the minimum level of basic Municipality services, subject to stipulation in the municipal assets transfer regulations.
- b) The Municipality may transfer ownership or otherwise dispose of a non-current asset other than one contemplated above but only after the Council, in a meeting open to the public:
 - i. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
 - ii. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- c) The decision that a specific non-current asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the Municipality after that asset been sold, transferred or otherwise disposed of.
- d) Within the scheme of delegation, the Municipal Manager may approve the disposal of an item of property, plant and equipment.
- e) The disposal of an item of property, plant and equipment must be fair, equitable, transparent, competitive and cost effective and comply with any prescribed regulatory framework for municipal supply chain management.
- f) Transfer of assets to another Municipality, Municipal Entity, National Department or Provincial Department is excluded from these provisions, but must be done in accordance with a prescribed framework (Municipal Transfer Regulations).
- g) Asset Managers are responsible to prepare a list of redundant or obsolete assets and /or inventory items at least once per annum.

(MFMA final asset management guide section 3.3.5)

- h) The Fixed Asset Transfer / Move Sign-off Form should be appropriately completed for assets to be transferred to stores.
- i) The form should be signed by the current user, the new asset user, the managers / HOD of the current and new users, and the relevant official within the Asset Management Section.
- j) Absolutely no transfer of assets may take place without proper documentation being appropriately filled in and authorised.
- k) The security staff controlling the entrances to buildings must record details of the assets in a register, which must be signed by the person removing the asset.
- l) The Municipality may transfer ownership or otherwise dispose of a non-current asset, but only after the Council, in a meeting open to the public:
 - i. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and
 - ii. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

- m) The decision that a specific non-current asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.
- n) Within the scheme of delegation, the Municipal Manager may approve the disposal of an item of property, plant and equipment
- o) Asset Managers are responsible to prepare a list of redundant or obsolete assets and /or inventory items at least once per annum.
- p) Auctions must be held annually to dispose of obsolete / redundant assets.
- q) The Functional Heads, Stores and Finance must determine the auction dates in conjunction with the appointed auctioneer.
- r) The relevant official of the Chief Financial Officer's office must submit a summary of the income and expenditure of the auction to the Internal Audit Section.
- s) Assets not sold at the auction must be reported to the Council together with recommendations on how to dispose of them.
- t) The Asset Management Section must be advised of the sale prices, within seven days after the auction.
- u) Asset Management Section will only finally thereafter remove the asset/s from the assets register.
- v) In cases where a specialised or high valued obsolete or redundant item does not achieve a predetermined reserve price on an auction, the following procedures must be followed:
 - i. Withdraw the item from the auction;
 - ii. Invite quotations for the item by advertising in Daily and Regional newspapers;
 - iii. Obtain more than three written quotations from Institutions or Companies, which deals with or utilizes similar equipment or vehicles;
 - iv. Obtain approval from the relevant Departmental Head; and
 - v. Sell the item to the highest bidder.
- w) If less than three quotations were obtained, a written motivation should be placed on file for audit purposes indicating the steps taken to ensure that the item was disposed of at the highest attainable price.

7.6 Loss, Theft, Destruction or Impairment of Fixed Assets

- a) Finance (Asset Management division) shall ensure that any incident of loss, theft, and destruction or material impairment of any fixed asset controlled or used by the directorate in question is promptly recorded in writing to the Director: Finance, to the internal auditor, and in cases of suspected theft or malicious damage, also to the South African Police Service.

(MFMA final asset management guide section 4.2)

- b) The relevant section director should report theft to the relevant insurance company. The director should also report the theft to the Asset Management Section for the Asset Register to be updated.
- c) The Fixed Asset Transfer / Move Sign-off Form should be appropriately completed and approved for assets to be transferred.
- d) The Municipality should obtain Council approval for assets to be written off.

8. INTERNAL CONTROL

8.1 Asset Registers

8.1.1 Establishment and Management of the Asset Register

- a) The Chief Financial Officer is responsible for establishing and maintaining the Council's Asset Register.
- b) The Chief Financial Officer is responsible for ensuring the maintenance of that part of the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- c) Asset Managers are responsible for ensuring the establishment and maintenance of entries in the Asset Register for assets within their control. They will also be responsible for establishing and maintaining any additional register or database required demonstrating their physical management of their assets.
- d) Each Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers.

(MFMA final asset management guide section 4.2.)

- e) The Chief Financial Officer is responsible for establishing and maintaining the Council's Asset Register.
- f) There will be two major types of assets recorded:
 - i. Fixed or immovable assets like buildings, roads or electricity, sewerage and water networks; and
 - ii. Movable assets like cabinets, chairs, computers, desks, etc.
- g) The Chief Financial Officer is responsible for ensuring the maintenance of that part of the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- h) It shall be the responsibility of Asset Management Section to maintain, reconcile and update the assets register on a monthly basis in order to ensure that a fair value of the Municipality's assets is reflected.
- i) Individual assets of asset types determined from time to time must be reflected in the Assets Register.
- j) All changes to the assets register on the asset system must be authorised and various levels of security must be put into place.

8.2 Bar-Coding / Marking of Assets

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

(MFMA section 63 adopted)

8.2.1 General

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

8.2.2 Procedures

- a) Assets must be physically bar-coded / marked for identification purposes, where applicable.
- b) Identification bar-codes / marks must not be tampered with nor removed.
- c) Fixed property and plant is not bar coded; such as:
 - i. Buildings (record legal description in asset record);
 - ii. Land (record legal description in asset record); and
 - iii. Infrastructural assets.
- d) No alterations to or painting of buildings can commence without liaison with the Asset Controllers to verify the room numbers and to make sure that the bar codes at the doors are not damaged and control must be exercised to ensure that the unique asset/s and room identification (bar codes) are not painted over.
- e) There must be a floor plan for each building on which the rooms are clearly marked and numbered. Asset Management must be provided with copies.
- f) Departments must well in advance indicate their needs for bar-coding to the Asset Management Section to ensure that sufficient stock is available and to schedule for assets to be bar-coded by the Asset Management Section.
- g) Any asset which is not possible to be marked with a bar coded label should be described in detail in a control register. The applicable bar coded label should be pasted against the description in the register. These assets should also be registered in the assets register.
- h) Ensure that all assets in use on premises of the Municipality, which are not Municipality property, are properly recorded in a control register, as these assets cannot be labelled.
- i) All unmarked assets discovered and which do not represent new purchases in the relevant financial year have to be reported to Asset Management Section. An investigation has to be done to find asset documentation that will assist in allocating correct information relating to such unmarked assets.
- j) As soon as a user notices that a bar code came loose or is missing on one of his/her assets, he/she has to report it immediately to the relevant Asset Controller.
- k) The Asset Controller has to determine if the bar code has been removed on purpose or not.
- l) If it has been removed on purpose, the relevant Asset Controller has to determine whom the guilty party is, in order for the Departmental Head to take disciplinary action against the offender.
- m) In both the aforementioned cases (falling off and purposeful removal of a bar code, the AC has to be notified. (The relevant AC also has to supply the existing asset number of the asset from which the bar code is missing, to Asset Management Section to reorder the same unique barcode replacement.

8.3 Financial Components of the Asset Register

8.3.1 Contents of the Financial Asset Register

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

(MFMA final asset management guide section 5.1.1)

8.3.2 Internal Controls over the Financial Asset Registers

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

(MFMA final asset management guide section 4.2.2)

8.3.3 Updating of Fields in the Assets Register Database

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

8.4 Physical Receipting and Management

8.4.1 Responsibilities of the Asset Manager

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

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

(MFMA section 96)

(MFMA final asset management guide section 6.10.2)

8.4.2 Receipt of Property, Plant and Equipment

- a) The receipting of property, plant and equipment will be managed by the Supply Chain Management Unit.
- b) The process of receipting will include:
 - i. Review of the authority to purchase including compliance with all procurement policies and budgetary limits;
 - ii. Review of all details required to write the asset on to the Asset Register; and
 - iii. Assignment of the asset to the appropriate Asset Manager.

(MFMA section 96)

- c) The SCM unit should inspect the assets received and ensure they agree with the information on the source documents.
- d) The Asset Management Section should mark the new asset, if applicable, with a bar code label and record the room and toolbox number and other information for asset additions in the appropriate document.
- e) On receiving procured assets, departments must ensure that they inform the Finance Department accordingly, to aid the updating of inventory lists on an on-going basis.
- f) The new asset should be added to the movable assets list at the back of the door of the room with the date and signature.
- g) The Asset Register should be updated with the bar code number, room number, toolbox and serial number by the appropriate official.

8.4.3 Date of Acquisition

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

8.4.4 Donations

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

8.5 Transfers to Another Asset Manager

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

8.5.1 Permanent transfers to another Asset Manager

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

(Municipal Asset Transfer Regulations section 5.1)

8.5.2 Relocation or Reassignment of Property, Plant or Equipment

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

8.6 Reconciliation of Assets

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

8.7 Verification of Fixed Assets

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

(MFMA final asset management guide section 4.2.2.2)

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

8.8 Inventory Lists

- a) The Chief Financial Officer must submit within three months after each financial year, inventory lists of capitalized assets to all Asset Managers. At all times these inventory lists should indicate the assets in particular location and should be easily accessible.
- b) When employees get appointed or resign from any specific post, the relevant inventory lists must be verified and accordingly endorsed by the Asset Champion for the specific workplace.
- c) All changes on inventory sheets must be reported in writing to the Director: Finance within 7 days of when change took place.

9. MANAGEMENT OF ASSETS

9.1 Management of Attractive Items

- a) Assets costing less than **R 1 500** are deemed to be attractive item unless that type of asset is specifically excluded by the Chief Financial Officer.
- b) Examples of these items include the following:
- c) Video equipment, cameras, Extension leads, Microwaves, Telephones, etc.
- d) The requirements to manage attractive items includes:
 - i. Receipting and delivering of these items through specified control points and assignment to such users;
 - ii. Maintaining and updating an attractive items register for these receipts (Inventory Register);
 - iii. Delivery and assignment of an attractive item to a specified position;
 - iv. Regular stock takes by the assigned person to ensure these attractive items are being appropriately safeguarded;
 - v. Regular audits by the Asset Manager to ensure attractive items are being appropriately managed by the assigned persons; and
 - vi. Recording and reporting of any disposal or loss of these attractive items to the Director Administration & Resource Management and CFO and adjustment of the attractive items register.
- e) Attractive items WILL NOT BE:
 - i. Capitalized as an asset;
 - ii. Depreciated;
 - iii. Re-valued;
 - iv. Recording in the financial Asset Register;
 - v. Otherwise treated as an asset; or
 - vi. Impaired.
 - vii. And WILL BE
 - viii. Recorded in the Attractive Items (Inventory) Register;
 - ix. Treated in a similar fashion as an asset for e.g. safeguarding or officially approved for disposal, etc.; and
 - x. Budgeted for under a line item in the operating budget.

9.2 Management and Operation of Property, Plant and Equipment

9.2.1 Accountability to Manage Property, Plant and Equipment

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

(MFMA final guide on asset management section 3.3.4.1)

9.3 Safeguarding of Assets

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

(MFMA final asset management guide section 4.2.1)

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

9.4 Insurance of Assets

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

9.5 Contents of a Strategic Asset Management Plan

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

(MFMA final guide on asset management section 3.2.1)

9.6 Reporting on Emerging Issues

- a) Each Asset 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.

(MFMA final guide on asset management section 3.3.4.2)

10. CLASSIFICATION, AGGREGATIONS AND COMPONENTS

10.1 Classification of Property, Plant and Equipment

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

10.2 Investment Property

- a) Investment assets shall comprise land or buildings (or parts of buildings) or both held by the Municipality, as the owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.
- b) Investment assets shall be recorded in the assets register in the same manner as other assets, but a separate section of the assets register shall be maintained for this purpose.
- c) Investment Property is initially measured at cost. Where investment property is acquired at no cost or for nominal cost, its cost is its value as at the date of accounted for as a separate class of asset.
- d) Investment assets shall not depreciate but shall be annually valued balance sheet date to determine their fair (market) value.
- e) Adjustments to the previous year's recorded fair value shall be accounted for as either gains or losses in the accounting records of the department or service controlling the asset.

(GRAP 16 sections 25 to 34, 39 to 63)

10.3 Inventory Asset

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

(GRAP 12 section 15 to 44)

10.4 Optional Treatment for Major Component

- a) An Asset Manager may, with agreement of the Chief Financial Officer, treat specified major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- b) The major components may be identified by the physical parameters of its financial parameters.
- c) These major components may be defined by its physical parameters (e.g. a reservoir roof) of its financial parameters (e.g. a road surface).
- d) In agreeing to these treatments the CFO must be satisfied that these components:
 - i. Have a significantly different useful life or usage pattern to the main asset;
 - ii. Align with the asset management plans;
 - iii. The benefits justify the costs of separate identification;
 - iv. It is probable that future economic benefits or potential service delivery associated with the asset will flow to the Municipality;
 - v. The cost of the asset to the Municipality can be measured reliably;
 - vi. The Municipality has gained control over the asset;

- vii. The costs is above the recognition threshold; and
- viii. The asset is expected to be used during more than one financial year.
- e) All such decisions and agreements will be confirmed before the beginning of the financial year and submitted for approval with the budget. Any amendments will only be permitted as part of a budget review.
- f) Once a major component is recognised as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.
- g) All other replacements, renewals of refurbishments of components will be expensed.
- h) All other replacements, renewals or refurbishments of significant components will be expensed.

(MFMA final asset management guide section 6.3)

10.5 Recognition of Network Asset

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

(GRAP 17 section 12)

10.6 Recognition of Heritage Assets in the Assets Register

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

10.7 Biological Assets

- a) The CFO, in consultation with the Functional Head(s) concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point of sales costs. A recognised valuator in the line of the biological assets concerned shall undertake such valuation. Any losses on such valuation shall be debited to the Department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the Department or vote concerned as operating revenue.
- b) If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the Functional Head concerned in exactly the same manner as though the asset were an ordinary asset.
- ~~10.7c) Records of the details of biological assets shall be kept in a separate section of the assets register or in a separate accounting record altogether, and such details shall reflect the information which the CFO, in consultation with the Functional Head concerned and the internal auditor, deems necessary for accounting and control purposes.~~
- ~~a) The CFO, in consultation with the Functional Head(s) concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point of sales costs. A recognised valuator in the line of the biological assets concerned shall undertake such valuation. Any losses on such valuation shall be debited to the Department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the Department or vote concerned as operating revenue.~~

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- ~~b) If any biological asset is lost, stolen or destroyed, the matter if material shall be reported in writing by the Functional Head concerned in exactly the same manner as though the asset were an ordinary asset.~~
- ~~c) Records of the details of biological assets shall be kept in a separate section of the assets register or in a separate accounting record altogether, and such details shall reflect the information which the CFO, in consultation with the Functional Head concerned and the internal auditor, deems necessary for accounting and control purposes.~~

(IAS 41 Agriculture)

11. ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

11.1 Recognition of Property, Plant and Equipment

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

(GRAP 17 section 7 to 16)

11.2 Initial Measurement

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

(GRAP 17 section 17 to 31)

11.3 Donations or Exchanges

- a) Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the non-current Asset Register if the fair value is greater than the recognition threshold.
- b) Assets held under leases.

- c) Finance leases are leases, which in effect transfer all risks and rewards associated with the ownership of an asset from the lessor to the lessee. Assets held under finance leases are capitalized by the Municipality and reflected as such in the fixed Asset Register. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement. The asset is then depreciated over its expected useful life.
- d) 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.

(GRAP 13: Leases)

11.4 Recognition (Capitalisation) Threshold

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

11.5 Carrying Amount on Property, Plant and Equipment

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

11.6 Depreciation

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

(GRAP 17 section 31; 81; 55)

11.7 Initial Determination of Useful Life

- a) Each Asset Manager needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life of that asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:
 - i. The operational, maintenance, renewal and disposal program that will optimize the expected long term costs of owning that asset;
 - ii. Economic obsolescence because it is too expensive to maintain;
 - iii. Functional obsolescence because it no longer meets the municipalities needs;
 - iv. Technological obsolescence;
 - v. Social obsolescence due to changing demographics;
 - vi. Legal obsolescence due to statutory constraints; and
 - vii. Technological obsolescence.

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

(MFMA final asset management guide section 6.5)

11.8 Review of Residual Value and Useful Life (Impairment)

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

(GRAP 17 section 57)

- b) This review should be done by the Asset Manager in conjunction with the impairment review.

c) The Table of Useful Lives as provided by the MFMA Local Government Capital Asset Management Guideline is included Section 14 of this policy. These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.

d) The municipality applies a Scrap value of 5% to the following categories of assets:

a. Vehicles

e) —

(GRAP 13: Leases)

11.9 Review of Depreciation Method

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

(GRAP 17 section .67)

(MFMA final asset management guide section 6.10.1)

11.10 Subsequent Expenditure on Property, Plant and Equipment

- a) Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the Municipality.
- b) All other expenditure should be recognised as an expense in the period in which it occurred.
- c) Before allowing the capitalisation of subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure significantly:
 - i. Increases the life of that asset beyond that stated in the Asset Register, or
 - ii. Increases the quality of service of that asset beyond the existing level of service, or
 - iii. Increases the quantity of services that asset can provide, or

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- iv. Reduces the future assessed costs of maintaining that asset.
- d) Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should also be appropriately included in the approved capital budget.
- e) Where it is desired to capitalize future component replacements, refurbishments or renewals, please refer to the section on major components in this policy.

(MFMA final asset management guide section 6.7)

(GRAP 17 section .14 to .16)

11.11 Maintenance / Refurbishment

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

(GRAP 13: Leases)

11.12 Revaluation of Property, Plant and Equipment

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

11.13 Reduction of the Carrying Amount

- a) 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.
- b) When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.
- c) The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve.
- d) For asset providing economic benefits, the recoverable amount is the net present value of future ownership.
- e) For asset 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 programs.

(GRAP 17 section .45)

(MFMA final asset management guide section .69)

11.14 Subsequent Increase in Recoverable Amount

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

(GRAP 17 section 44)

(MFMA final asset management guide section 69)

11.15 Reduction of the Carrying Amount

- a) 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.
- b) When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.

(GRAP 17 section 45)

(MFMA final asset management guide section 69)

11.16 Accounting Treatment on Disposal

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

(GRAP 17 section 7 to 69)

(MFMA final asset management guide section 6.11)

11.17 Selling of Assets

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

(GRAP 17: Property Plant and Equipment)

12. FINANCIAL DISCLOSURE

- a) The financial statements should disclose, in respect of each class of property, plant and equipment classified under the categories of infrastructure, community, heritage, investment properties and other assets:
 - i. The measurement bases used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed;
 - ii. The depreciation methods used;
 - iii. The useful lives or the depreciation rates used;
 - iv. Depreciation charged in arriving at net surplus or deficit for the period;

- v. The gross carrying amount and the accumulated depreciation at the beginning and the end of the period; and
 - vi. A reconciliation of the carrying amount at the beginning and end of the period showing:
 - Additions;
 - Disposal;
 - Acquisition through business combinations;
 - Increases or the decreases resulting from revaluations;
 - Deductions in carrying amount;
 - Amounts written back;
 - Depreciation; and
 - Other movements.
- b) The financial statement should also disclose:
- i. Whether or not, in determining the recoverable amount of items of property, plant and equipment, expected future cash flows have been discounted to their present values;
 - ii. The existence and amounts of restrictions on title and property, plant and equipment pledged as security for liabilities;
 - iii. The accounting policy for restoration costs relating to items of property, plant and equipment;
 - iv. The amount of expenditures on account of property, plant and equipment in the course of construction; and
 - v. The amount of commitments for the acquisition of property, plant and equipment.
 - vi. When items of property are stated at re-valued amounts, the financial statements should disclose:
 - vii. The basis used to revalue the assets;
 - viii. The effective date of revaluation;
 - ix. Whether an independent value was involved;
 - x. The nature of any indices used to determine replacement cost;
 - xi. The carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less depreciation;
 - xii. The revaluation surplus, detailing the movement for the period; and
 - xiii. The portion of the depreciation charge relating to the revaluation.

(GRAP 1: Presentation of Financial Statements)

13. ASSET CATEGORIES

13.1 Immovable Assets

- a) Infrastructure Assets:
- i. Electricity network assets;
 - ii. Water networks and related assets;
 - iii. Waste water networks and related assets; and
 - iv. The infrastructure Asset Register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a

level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the Municipality. An improvement plan stipulating the level of detail and the timing of improvements shall be prepared. Infrastructure assets should be valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will be valued at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and the depreciation methods applied to infrastructure assets should be reviewed regularly, but the cost related to such reviews should be measured against benefits derived to ensure value for money. Such reviews will have to be performed at least once in a three year cycle.

b) Investment Property:

- i. Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the Municipality's Statement of Financial Position. Investment Property shall initially be measured at its cost. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition;
- ii. 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 PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset; and
- iii. After initial recognition, all investment property shall be measured at fair value, except in the cases described in GRAP 16.61. The fair value of investment property shall be determined annually at reporting date in terms of the Municipality's Accounting Policy. The fair value should reflect market conditions and circumstances as at the reporting date. A gain or loss arising from changes in the fair value of investment property should be included in the net surplus/deficit for the period in which it arises.

c) Community assets:

- i. Parks & gardens;
- ii. Sport fields and stadium;
- iii. Swimming pools;
- iv. Community halls;
- v. Libraries;
- vi. Recreational facilities;
- vii. Fire, Safety and emergency;
- viii. Security and policy;
- ix. Clinics;
- x. Museums and art galleries;
- xi. Cemeteries;
- xii. Social rental housing;
- xiii. Community assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives; and
- xiv. Community Assets shall be recorded under the following main categories: Recreational Facilities, Sporting Facilities and Other Facilities.

d) Heritage assets:

- i. Buildings; and

- ii. Heritage assets are valued at cost less accumulated depreciation and accumulated impairment losses. No depreciation shall be charged against such assets. If the cost price of heritage assets is not known, then the heritage asset will be valued at fair value.
- e) Intangible assets:
 - i. Servitudes;
 - ii. Agricultural assets; and
 - iii. Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.
- f) Other assets:
 - i. Abattoirs;
 - ii. Markets;
 - iii. Civic land and buildings; and
 - iv. Other land.
- g) Other buildings
 - i. Other assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not re-valued.
- h) Work-in-progress

13.2 Movable Assets

- a) Other Assets:
 - i. Office equipment;
 - ii. Furniture and fittings;
 - iii. Bins and containers;
 - iv. Emergency equipment;
 - v. Motor vehicles;
 - vi. Aircraft;
 - vii. Watercraft;
 - viii. Plant and equipment; and
 - ix. Specialised vehicles.
- b) Intangible Assets:
 - i. Computer software & programming.
- c) Heritage Assets

14. PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT OF 2003

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

15. DIRECTIVES AND PROCEDURES

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

Annexures

Annexures

TABLE OF ESTIMATED USEFUL LIVES	CLASSES OF ASSETS	CATEGORIES	USEFUL LIVES IN YEARS	
			MIN	MAX
			Infrastructure Assets	
	Land	Developed	N/A Indefinite	Indefinite N/A
		Undeveloped	Indefinite N/A	Indefinite N/A
	Buildings	Dwellings		
		Caravans	5	10 30
		Homes for aged	25	30
		Hostels	25	30
		Residences (personnel)	25	30
		Non Residential Dwellings		
		Airport and associated buildings	25	30
		Bus Shelters	10	15 30
		Bus Terminals	25	30
		Community Centres and Public entertainment building	25	30
		Driver Vehicle Testing Centres	25	30
		Fire Stations	25	30
		Industrial Building	25	30
		Laboratories	25	30
		Libraries	25	30
	Museums and art galleries	25	30	
	Office Building	25	30	
	Public Parking	25	30	
	Research Facilities (Inc.	25	30	

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		weather)		
		Stadiums	25	30
		Taxi Ranks	4015	4530
		Warehouses (storage facilities, Inc. data)	25	30
Other Infrastructure Assets				
	Electricity	Mains	4525	2055
		Meters		
		Prepaid	2540	5520
		Credit	2520	5525
		Supply / Reticulation	2515	5525
		Transformers	2525	5550
		Lines		
		Underground	2525	5545
		Overhead	2520	5530
		Cables	2525	5545
		Substations		
		Switchgear	2520	5530
		Equipment		
		Outdoor	2520	5530
		GIS	2515	5530
		Indoor	2530	5540
		Electrical Panels	253	555
		Telemetry	257	5515
	Roads	Bridges		
		Vehicle		
		Concrete	60	80
		Steel	40	50
		Timber	25	40
		Pedestrian		
		Concrete	60	80
		Steel	40	50
		Timber	25	40
		Railway		
		Concrete	60	80
		Steel	40	50
		Timber	25	40
		Expansion and construction joints	15	20
		Storm Water		
		Culverts	25	40
		Concrete	40	60
		Armco	25	40
		Drains		
		Earthworks	80	100

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	Concrete lining	25	50
	Stop banks	40	50
	Pipes	25	50
	Coastal		
	Structure (Retaining walls)	20	40
	Piers	60	80
	Storm water outfalls	60	80
	Roads		
	Kerbs and channels	40	50
	Municipal roads		
	Asphalt surface	10	20
	Asphalt layer	30	50
	Concrete surface	10	30
	concrete layer	30	50
	Gravel surface	3	10
	Crash barriers	10	30
	Retaining walls	30	60
	Overload control centres	15	20
	electronic hardware	10	15
	Other equipment	10	20
	Pedestrian footpaths	15	30
	Street lighting	25	40
	Traffic islands	40	50
	Traffic Lights	15	20
	Traffic signs	5	15
	Airports		
	Airport and radio beacons	25	30
	Aprons	25	30
	<u>Aerodrome</u>	<u>15</u>	<u>30</u>
	Runway	15	20
	Taxiways	15	20
	Water		
	Dam		
	Structure		
	concrete	80	100
	earth	30	50
	Mechanical and electrical	15	40
	Meters	15	20
	Standpipes	5	20
	Metalwork (steel stairs, ladders, handrails, weirs)	15	30
	Pump station		
	Structure	30	55
	Electrical	15	40
	Mechanical	15	40

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		Perimeter protection	4015	25
		Reservoirs		
		Structure	30	50
		Electrical	15	40
		Mechanical	15	40
		Perimeter protection	10	25
		Supply / Reticulation	20	50
		Underground chambers		
		Valves	15	25
		Meters	4015	20
		Transition	4015	1520
		Other	5	10
		Water purification works		
		Structure	30	55
		Electrical	15	40
		Mechanical	15	40
		Perimeter protection	10	25
		Meters	10	15
		Telemetry	10	15
	SEWERAGE	Bulk pipelines(outfall sewers)		
		Raising mains	40	50
		Gravity mains	40	50
		Sewerage pump stations		
		Structure	30	55
		Electrical	1525	40
		Mechanical	2515	40
		Perimeter protection	2510	4025+
		Metalwork	2510	4030
		Sewers/reticulation	30	60
		Waste purification works		
		Structure	30	55
		Electrical	2515	40+
		Mechanical	2515	40
		Perimeter protection	2510	4025
		Meters	2510	4015
	SOLID WASTE DISPOSAL			
		Collection		
		Vehicle	5	10
		Containers/Bin	10	15
		Transfer stations and processing facilities		
		Structure	30	55
		Electrical	15	40
		Mechanical	15	40
		Perimeter protection	10	25

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		Landfill site		
		Earthmoving and compaction equipment	10	15
		Landfill preparation	N/A	
		Structure	30	55
		Weighbridge		
		Mechanical	15	40
		Electrical	15	40
		Perimeter protection	10	25
	CEMETERIES		25	30
CAPITAL/INFRASTRUCTURE WORK IN PROGRESS	WIP			
		Buildings	N/A	
		Infrastructure	N/A	
		Other	N/A	
Movable Assets	OTHER MACHINERY AND EQUIPMENT			
		Audio-visual equipment	5	10
		Building air conditioning systems	105	105
		Cellular phones (over R5 000)	0	102
		Cellular routers	3	10
		Domestic equipment (Non-kitchen appliances)	3	105
		Electric wire and power distribution equipment (compressors, generators & allied equipment)	5	107
		Emergency/rescue equipment	5	10
		Elevators systems	15	20
		Farm/Agriculture equipment	5	15
		Fire Fighting equipment	3	105
		Gardening equipment	2	104
		Irrigation equipment	10	15
		Kitchen appliances	5	10
		Laboratory equipment- Agriculture	5	107
		Medical testing	5	107
		Roads and transport	5	107
		Laundry equipment and industrial sewing machines	10	15
		Learning ,training support and library material(curriculum equipment)	5	10

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		Machines for metallurgy	5	10
		Machines for mining and quarrying	5	10
		Machines for textile production	10	15
		Music instruments	10	15
		Photographic equipment	5	7 10
		Pumps, plumbing, purification and sanitation equipment	5	10
		Radio equipment	5	7 10
		Road construction and maintenance equipment	10	15
		Saddles and other tack	5	7 10
		Security equipment/systems/materials		
		Fixed	3	10 5*
		Movable	3	10 5
		Ship and marine equipment	5	10
		Sport and recreational equipment	5	10
		Survey equipment	5	10 7
		Telecommunication equipment	3	10 5
		Tents, flags and accessories	5	10
		Woodworking machinery and equipment	5	10
		Workshop equipment and loose tools		
		Fixed	5	10
		Movable	3	10 5
	Furniture and Office Equipment			
		Advertising boards	6 3	15 5
		Air conditioners (individual fixed & portable)	6 3	15 5
		Cutlery and crockery	6 5	15 40
		Domestic and hostel furniture	10 6	15
		Office equipment (Inc. fax machines)	6 5	10 7
		Office furniture	6 5	15 7
		Paintings, sculptures, ornaments (homes and office)	6 5	15 40

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	Computer Equipment			
		Computer hardware (Inc. Operating System)	36	510
		Networks	65	1040
	Transport Assets			
		Aircraft	10	15
		Aircraft engines	5	7
		Airport transport equipment (stairs and luggage)	10	15
		Busses	10	15
		Cycles	4	7
		Emergency vehicles (Ambulances and fire engines)	5	10
		Mobile clinics	10	15
		Motor vehicles	4	7
		Trailers and accessories	5	10
		Trucks	5	7
	Heritage Assets			
		Archives	N/A	N/A
		Areas of land of historic or specific significance (i.e. world heritage site)	N/A	N/A
		Culturally significant buildings	N/A	N/A
		National monuments	N/A	N/A
		National Parks / reserves	N/A	N/A
		Paintings	N/A	N/A
		Sculptures	N/A	N/A
		Municipal jewellery	N/A	N/A
		Work Art	N/A	N/A
		Other antiques and collections	N/A	N/A
	Intangible Assets			
		Computer software Website	2	5

CONDITION ASSESSMENT

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

Condition rating table			
Grade	Description	Detailed Description	Estimated Remaining

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			Life
1	Very Good	New, sound structure or appearance, well maintained. Continue with planned maintenance	As estimated
2	Good	Performance acceptable with minor deterioration (<5%). Normal planned maintenance continues.	As estimated
3	Fair	Clearly evident deterioration (10-20%). Significant maintenance required, consider impairment.	Less than estimated
4	Poor	Significant deterioration in structure or appearance. Significant impairment of performance. Significant maintenance required.	Significantly less than estimated
5	Very Poor	Unsound, does not perform. Reconstruction or replacement required (>50% needs replacement).	None or nominal