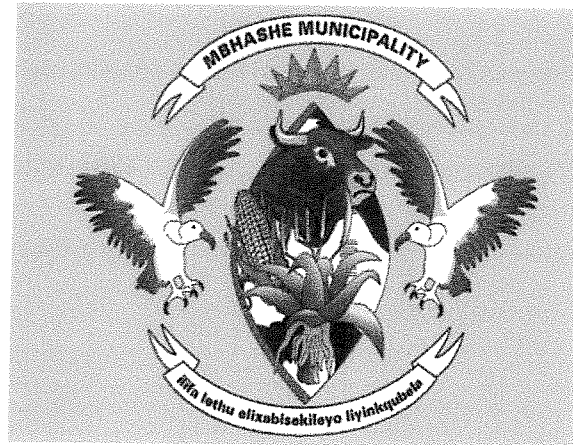


MBHASHE LOCAL MUNICIPALITY



ASSET MANAGEMENT POLICY

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ACRONYMS

CFO:	Chief Financial Officer
CCR	Capital Replacement Reserve
EFF	External Financing Fund
GRAP:	Generally Recognised Accounting Practice
HOD:	Head of Department
MFMA:	Municipal Finance Management Act (No. 56 of 2003)
MM:	Municipal Manager (i.e. Accounting Officer)
MSA:	Municipal Systems Act (No. 32 of 2000)
PPE:	Property, Plant and Equipment
SCM	Supply Chain Management
VAT	Value Added Tax

1. Introduction

Whereas Section 63 of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) states that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safe-guarding and the maintenance of these assets.

Section 14 of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a municipal council may not dispose of assets required to provide minimum services.

The Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) regulates the transfer and disposal of capital assets by Municipalities and the granting by Municipalities of rights to use, control or manage capital assets.

And whereas the municipal manager as custodian of municipal funds and assets is responsible for the implementation of the asset management policy which regulate the acquisition, safeguarding and maintenance of all assets;

And whereas these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes;

Therefore the municipal council of the Mbhashe Local Municipality adopts the following asset management policy.

2. Objectives of the Policy

The MFMA was introduced with the objective of improving accounting in the municipalities sector. Good asset management is critical to any environment whether in the private or public sector.

- a. The principal objective of asset management is to enable the Municipality to meet its service delivery objectives efficiently and effectively;
- b. Effective asset management also makes the most of the service potential of assets by ensuring they are appropriately used and maintained;
- c. To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality. It focuses attention on results by clearly assigning responsibility, accountability and reporting requirements;
- d. To set out the accounting treatment for assets acquired and used by the Municipality; and
- e. To prescribe the administrative guidelines and internal control procedures to be followed by persons in control of Municipal assets.

3. Definition

In this policy unless the context indicates otherwise:-

Accounting Officer	Means the Municipal Manager appointed in terms of Section 82 of The Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).
Asset	<p>An "Asset" is a resource controlled by the entity as a result of past events and from which future economic benefits or services potential are expected to flow to the entity?</p> <p>In terms of GRAP 17, Property, plant and equipment are tangible items that:</p> <ul style="list-style-type: none">a) Are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, andb) Are expected to be used during more than one reporting period
Capital Asset	Capital Assets are items of Biological Assets, Intangible Assets, and Investment Property or Property, Plant or Equipment defined in the individual GRAP Standards.
Carrying Amount	The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.
Chief Financial Officer	means an officer of a municipality designated by the Accounting Officer to be administratively in charge of the budgetary and treasury functions of the municipality
Community Assets	Community Assets are defined as any asset that contributes to the community's wellbeing. Examples are parks, libraries and fire stations.
Cost	is the amount of cash or cash equivalents paid, or the fair value of the other consideration given, to acquire an asset at the time of its acquisition or construction, or, where applicable, the amount attributed to that asset when initially recognised in accordance with

the specific requirements of other Standards of GRAP.

Depreciable amount	The cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation	Systematic allocation of the depreciable amount of an asset over its useful life. The Municipality will depreciate its property plant and equipment using the straight line method
Fair Value	Amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	As per GRAP 13, a finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
Heritage Assets	Are defined as culturally significant resources. Examples are works of art, historical buildings and statues
Head of Department	All incumbents Section 57 employees who report to the Accounting Officer and are responsible for the management of the different directorates within the municipality
Impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable service amount
Infrastructure Assets	<p>Infrastructure assets, these usually display some or all of the following characteristics:</p> <ul style="list-style-type: none">- They are part of a system or network;- They are specialised in nature and do not have alternative uses;- They are immovable; and- They may be subjected to constraints on disposal
Intangible Assets	An intangible asset is an identifiable non-monetary asset without physical substance.
Inventory	<p>Inventories are assets:</p> <p>(a) in the form of materials or supplies to be consumed in the</p>

- (a) production process;
- (b) in the form of materials or supplies to be consumed or distributed in
- (c) the rendering of services;
- (d) held for sale or distribution in the ordinary course of operations; or
- (e) (d) in the process of production for sale or distribution.

Investment Property

Investment property is property (land or a building – or part of a building – or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both or for undetermined use

**Non Current Asset
Held for Sale**

A non-current asset is an asset that does not meet the definition of a current asset. An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Recoverable amount

The higher of a cash-generating asset's net selling price and its value in use

**Recoverable service
amount**

The higher of a non-cash-generating asset's fair value less cost to sell and its value in use

Residual Value

Is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life

Useful Life

Is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity

Work in Progress

Is an asset under construction not completed and brought into use

4. Guiding Principles

- a) Planning, budgeting, and reporting on assets are to be integrated with broader planning processes, within departments;
- b) Municipal management should oversee the utilization, safeguarding and maintenance of assets and the appropriate reporting for regulatory and decision purposes;
- c) Ownership and control of all assets are to be fully defined. Accountability and reporting requirements for both ownership and control are to be determined and clearly communicated.
- d) Clear segregation of functions in asset custody and the physical security of assets should be enforced throughout the entity.

5. Roles in the Asset Management Cycle

5.1. Role of the Municipal Manager

The Municipal Manager, being the accounting officer of the Municipality, is responsible for the following in terms of section 63 of the Municipal Finance Management Act (Act No. 56 of 2003):

- a) The assets of the municipality, including the safeguarding and the maintenance of those assets;
- b) Ensuring that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- c) Ensuring that the municipality's assets are valued in accordance with the Standards of Generally Recognised Accounting Practice (GRAP); and
- d) Ensuring that the Municipality maintains a system of internal control of assets, including an asset register.

5.2. Role of the Chief Financial Officer (CFO)

The Municipal Manager has duly delegated the following duties to the Chief Financial Officer in terms of section 79(1) (b) (ii) of the MFMA:

- a) Ensuring that all acquisitions of assets are in accordance with the Supply Chain Management Policy;
- b) Ensuring that council assets are accounted for in accordance with Generally Recognised Accounting Practice (GRAP);
- c) Ensuring that the general ledger is reconciled to the fixed asset register;
- d) Reviewing the reconciliation between the general ledger and the fixed asset register; and
- e) Providing the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.

5.3. Role of the Finance Directorate - Asset Management Unit

- a) This division shall be the asset registrar of the Municipality and shall ensure that a complete, accurate and up to date asset register is maintained;
- b) No amendments to the asset register shall be made other than those authorized by the Supply Chain Manager and the Chief Financial Officer;
- c) Implementing and maintaining a centralized asset register;
- d) Ensure that physical asset verification is performed annually in all Departments to verify the assets on the asset register. The results of this verification must be reported to the Municipal Manager and Council.
- e) Ensuring that appropriate systems of physical management and control are established and carried out for all assets;
- f) Ensuring that the municipal resources assigned to the Departments are utilized effectively, efficiently, economically and transparently;
- g) Ensuring that proper accounting processes and procedures are implemented in conformity with the municipal financial policies and the MFMA to produce reliable data for inclusion in the municipal asset register;
- h) Ensuring that any unauthorised, irregular, fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct are prevented;
- i) Ensuring that the asset management systems, processes and controls can provide an accurate, reliable and up-to-date account of assets under their control;
- j) Ensuring that the Asset Management Unit is able to manage the asset plans, budgets, purchasing, maintenance, depreciation and disposal decisions and justify that they optimally achieve the municipality's strategic objectives;

- k) Managing the asset life-cycle transactions to ensure that the Department complies with the plans and legislative municipal requirements; and
- l) The asset officer may delegate or otherwise assign responsibility for performing these functions, but remains accountable for ensuring that these activities are performed.

5.4. Role of the Finance Directorate - Budget Unit

- (a) Ensuring that a clear description is provided with each project and the appropriate funding source is identified. Releasing capital funds only after receiving written authority and a clear and concise description of the item to be purchased;
- (b) Ensuring that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to the Asset Management Unit; and
- (c) Ensuring that the calculation of depreciation is performed and details required for processing financial records to be obtained from the Asset Management Unit.

5.5. Role of the Finance Directorate - Expenditure Division

Ensuring that invoices authorized for payment are matched to the goods received note before processing such payment.

5.6. Role of the Supply Chain Management Division

Ensuring that correct procedures are followed in asset acquisitions as per the Municipalities Supply Chain Management Policy.

5.7. Role of the Department Managers - Human Resources:

- a) Ensure all municipal assets in the custody of employees or councilors are returned in good working order in the event of termination of employment and that measure to recoup the value of lost or damaged assets are in place and acted upon.
- b) Ensure that that employee exit form is counter-signed by the Chief Financial Officer and/or Senior Supply Chain Officer before processing the termination of service of an employee.

5.8. Role of the Department Heads/Senior Managers

- a) Ensuring that all employees in their Departments adhere to the approved Asset Management Policies and Procedures;
- b) Ensuring that an employee with delegated authority has been nominated to implement and maintain physical control over assets in the Department. The Asset Management Division must be notified of who the responsible official is;
- c) Although authority may be delegated the responsibility to ensure adequate physical control over each asset remains with the Department Manager of that Unit;
- d) Ensuring that the assets are properly maintained in accordance with the asset maintenance policy;
- e) Ensuring that the assets of the municipality are not used for private gain;
- f) Ensuring that all movable assets as reflected on the asset register and the Department Items listing are bar coded;
- g) Ensuring that certification has been provided in writing that they have assessed and identified impairment losses on all affected assets at year end;
- h) Ensuring that a complete asset verification of all assets is done for the Department's assets during the course of every financial year.
- i) Ensuring that all obsolete and broken assets are accompanied by the relevant asset form and attached asset disposal form and are handed in to the Asset Management Division and Budget and Treasury Office; and
- j) Ensuring that the correct cost element and description are being used before authorizing any requisitions.

6. PROPERTY PLANT AND EQUIPMENT

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant and equipment, except:

- (a) when a different accounting treatment has been adopted in accordance with another Standard of GRAP;
- (b) property, plant and equipment classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations;
- (c) biological assets related to agricultural activity (see Standard of GRAP on Agriculture);
- (d) heritage assets (see Standard of GRAP on Heritage Assets);
- (e) the recognition and measurement of exploration and evaluation assets (see the International Financial Reporting Standard on Exploration for and Evaluation of Mineral Resources; and
- (f) mineral rights, and mineral reserves such as oil, natural gas and similar non-regenerative resources.

However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b) to (e).

6.1. Recognition

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- b) the cost or fair value of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

6.2. Subsequent Costs

Subsequent to initial recognition, items of property, plant and equipment are measured at cost

less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably.

(a) Maintenance costs

These costs are recognised in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

(b) Major overhauls / Frequent scheduled repairs

Parts of some items of property, plant and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years. The cost of replacing part of such an item of property, plant and equipment is recognised in the carrying amount. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition provisions of GRAP 17.

(c) Measurement after recognition - Cost model

After recognition as an asset, the Municipality shall carry all items of property, plant and equipment at its cost less any accumulated depreciation and any accumulated impairment losses.

(d) Impairment Review

Impairment is a loss in the future economic benefits or service potential of an asset, over and above depreciation. Impairment means the carrying amount of an asset exceeds its recoverable amount or recoverable service amount. Indications for impairment should be assessed at each reporting date. There are cash- generating and non cash-generating assets.

Cash-generating assets are those that are held to generate a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity.

Non-cash-generating assets are assets other than cash-generating assets.

(e) External Sources

Significant long-term changes in technology, market, economic, government or legal environment have taken place or will take place in the near future. There is cessation, or near cessation, of the demand or need for services provided by the asset

(f) Internal Sources

There is evidence of the obsolescence of or physical damage to an asset. Significant long-term changes in the operational environment will impact on the future expected use of the asset, e.g. discontinued operations, early disposal or reassessment of useful life. Internal reporting indicates worse than expected economic and / or service performance in respect the asset. Reviews of significantly decreased remaining useful life (includes various types of obsolesces); significantly decreased residual value, significantly decreased replacement cost. A decision is taken to halt the construction of the asset before it is Complete or in a usable condition

6.3. Review of useful life, depreciation method, residual value and Impairment

The useful life, depreciation method and the residual value applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method, useful life and residual value shall be changed to reflect the changed pattern.

Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors

The municipality shall assess at each reporting date whether there is any indication that an asset may be impaired” Impairment is to be considered for an asset taken as a whole, rather than its individual components.

GRAP 21 and GRAP 26 define an impairment as follows: “An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation”.

Examples below are some typical situations where impairment has occurred:

- (a) A municipality owns a building that it rents to external parties, and there is a significant decline in market rentals.

- (b) New environmental legislation is passed that restricts the use of certain landfill sites.
- (c) New technical evidence shows that a certain type of underground pipe has a significantly shorter useful life than expected.
- (d) High rainfall has damaged certain roads and their associated infrastructure.
- (e) New wireless technology has been developed that will make certain wire-based computer networks obsolete.

If any of the indications are present, the Municipality is required to make a formal estimate of recoverable service amount. If no indication of a potential impairment loss is present, the GRAP Standard on Impairment does not require the Municipality to make a formal estimate of recoverable service amount.

6.4. Asset Classes

The Municipality shall have the following asset classes as a class of property, plant and equipment in the Annual Financial Statements:-

- (a) Land
- (b) Buildings
- (c) Community Assets
- (d) Infrastructure Assets
- (e) Work in Progress
- (f) Other Assets

6.5. Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life, using the straight line method. The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate

An asset shall remain in the asset register for as long as it physically exists. The fact that an asset has been fully depreciated shall not in itself be a reason for removing the asset from the asset register. For practical reasons the municipality must keep fully depreciated asset in the asset register and provide a list of such assets in the notes to financial statement during year end reporting.

6.6. De-recognition

The carrying amount of an item of property, plant and equipment shall be de-recognised:

- (a) On disposal,
- (b) When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognized

7. INVESTMENT PROPERTY

Investment property is property (land or a building – or part of a building – or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both or for undetermined use

The following are examples of investment property:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations. For example, land held by a hospital for capital appreciation which may be sold at a beneficial time in the future.
- (b) Land held for a currently undetermined future use. (If an entity has not determined that it will use the land either as owner-occupied property, including occupation to provide services such as those provided by national parks to current and future generations, or for short-term sale in the ordinary course of operations, the land is considered to be held for capital appreciation.)

- (c) A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis. For example, a university may own a building that it leases on a commercial basis to external parties.
- (d) A property owned by the entity and leased out at a below market rental.
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale (see the Standard of GRAP on Inventories). For example, a municipality may routinely supplement rate income by buying and selling property, in which case property held exclusively with a view to subsequent disposal in the near future or for development for resale is classified as inventory. The Department of Housing may routinely sell part of its housing stock in the ordinary course of its operations as a result of changing demographics, in which case any housing stock held for sale is classified as inventory.
- (b) Property being constructed or developed on behalf of third parties. For example, the Department of Housing may enter into construction contracts with entities external to its government (see the Standard of GRAP on Construction Contracts).
- (c) Owner-occupied property (see the Standard of GRAP on Property, Plant and Equipment), including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for military personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.
- (d) Property that is leased to another entity under a finance lease.
- (e) Property held to provide goods and services and also generates cash inflows. For example, an entity may hold a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an "investment property" and would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment

7.1. Recognition

Investment property shall be recognised as an asset when, and only when:

- a) it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- b) the cost or fair value of the investment property can be measured reliably.

An investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement).

7.2. Subsequent Costs

The municipality after initial recognition, chooses the cost model and shall measure all of its investment property in accordance with the Standard of GRAP on Property, Plant and Equipment, i.e., at cost less any accumulated depreciation and any accumulated impairment losses, other than those that meet the criteria as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) shall be measured in accordance with that Standard.

7.3. Review of useful life, depreciation method, residual value and Impairment

The useful life, depreciation method and the residual value applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method, useful life and residual value shall be changed to reflect the changed pattern.

Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors

The municipality shall assess at each reporting date whether there is any indication that an asset may be impaired” Impairment is to be considered for an asset taken as a whole, rather than its individual components.

If any of the indications are present, the Municipality is required to make a formal estimate of recoverable service amount. If no indication of a potential impairment loss is present, the GRAP Standard on Impairment does not require the Municipality to make a formal estimate of recoverable service amount.

7.4. Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life, using the straight line method. The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate

An asset shall remain in the asset register for as long as it physically exists. The fact that an asset has been fully depreciated shall not in itself be a reason for removing the asset from the asset register. For practical reasons the municipality must keep fully depreciated asset in the asset register and provide a list of such assets in the notes to financial statement during year end reporting.

7.5. De-recognition

An investment property shall be derecognised (eliminated from the statement of financial position):

- (a) on disposal (including disposal through a non-exchange transaction) or;
- (b) when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in surplus or deficit in the period of the retirement or disposal.

8. ASSET ADMINISTRATION AND RECORDS

8.1. Asset Register

An asset register is a complete and accurate database of the assets that is under the control of a municipality and that is regularly updated and validated. An adequate asset register is integral to effective asset management. It is the basis of an asset management information system and should contain relevant data beyond that required for financial reporting.

The asset register provides important information required for effective management of the assets as well as the detail of the figures disclosed in the annual financial statements. This register enables the municipality to maintain sufficient, appropriate audit evidence. It stores information on each asset, which includes amongst others the cost price, date acquired, location, asset condition and expected life. It can also include information on current replacement costs. All assets owned and controlled by an entity must be recorded in an asset register, regardless of the funding source or value thereof. All disposed assets must be excluded.

In its simplest form, an asset register may be a manual document or a spreadsheet. Alternatively, it can be a computerized system that interfaces directly with the general ledger (modern computerized accounting systems have this facility).

The asset register shall be maintained in the format determined by the CFO, and comply with the requirements of GRAP.

Each individual asset item should be denoted by a reference number; however immovable and infrastructure assets on the asset register will not be physically numbered with barcode labels but will have a unique asset master record number.

The following information should as a minimum, be included in the Fixed Assets Register:

- (a) Acquisition dates of all assets;
- (b) Clear descriptions of individual assets;
- (c) Depreciation rates determined in accordance with the principles set out in GRAP 17;
- (d) Historical cost or fair value of individual items of property, plant and equipment or the fair value of assets received as donations;

- (e) Department or Service that uses or controls the item of property, plant and equipment;
- (f) Identification reference for physical verification and asset management purposes;
- (g) Accumulated depreciation attributable to individual items of property, plant and equipment;
- (h) Impairment losses/ gains attributable to individual items of property, plant and equipment.
- (i) Funding source of individual items of property, plant and equipment; and
- (j) Where land and buildings are revalued, the revalued amount attributable to individual items of land and buildings.

Information to be reflected on an annual basis

- (a) A summary of all acquisitions of property, plant and equipment;
- (b) A summary of all disposals or write-offs of property, plant and equipment during the year. The disposals or write-offs information should include both cost and accumulated depreciation;
- (c) The aggregate depreciation expense for the year;
- (d) Changes in impairments during the year;
- (e) The opening and closing balances of property, plant and equipment at cost;
- (f) The opening and closing balances of accumulated depreciation; and
- (g) Movements in the revalued portion of property, plant and equipment.

8.2. Guidelines on Asset Identification and Description

The following detail should be included where applicable when identifying assets:

- (a) Asset number
 - i. Each asset must have a unique system-generated identifier, bar code or other unique number so that the individual asset can be distinguished from others;
- (b) Asset specific identifiers
 - i. Where applicable the serial numbers, registration number or other unique information must be captured for individual,
- (c) Asset description
 - i. Asset Description must be consistent
 - ii. The description should enable the asset to be easily identified E.G. 2005 Toyota Corolla 140i, Boardroom table
- (i) Asset dimensions/capacity if relevant should be included E.G. 200 litres (tank), 4000 sq meter (building/land);
- (j) Asset construction (if relevant): e.g. brick, wood, cast iron;

- (k) Location: e.g. Office 123, Store Abc, Erf. Xyz;
- (l) Zoning: residential, agricultural, industrial, etc; and
- (m) GPS: recommended for easy location (where relevant)

8.3. Asset Classification

Asset Class	Description	Examples
Land	With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life	Land Landfill Site
Buildings	Buildings consist of office buildings and facilities at various locations which is owner-occupied property	Offices Stores
Community Assets	Community assets are any assets that contribute to the community's well-being.	Parks, libraries
Infrastructure	Infrastructure assets are any assets that are part of a network of similar assets. Some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics: a) They are part of a system or network, b) They are specialized in nature and do not have alternative uses, c) They are immovable, and/or d) They may be subject to constraints on disposal.	Roads Electrical Assets
Other	Other assets are movable assets	Motor Vehicles, Furniture Equipment Machinery
Investment Property	Property held to earn rentals or for capital appreciation, or both or for undetermined use	Land held for undetermined use Rented Property
Heritage Assets	Heritage assets are culturally significant resources	Works of art, historical buildings, sites and statues

8.4. Condition Assessment

Conditional assessments will be done using a host of techniques, including physical assessment and professional judgement. Once the conditional assessments have been completed by the appropriate professional the information must be updated into a central database or Asset Management System.

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.

While condition assessments for specialized assets like infrastructure would generally be an engineering function, a municipality can also establish basic performance and benchmarking indicators that will assist in the process.

For example:

- (a) Keeping historical information on equipment failure could be used to predict when replacements might be needed. This can also be done for motor vehicles and other capital assets;
- (b) Driving on roads and over bridges doing visual inspections and counting potholes and grade separations;
- (c) Reviewing estimated life-cycle costs and comparing them to the actual amounts spent on infrastructure maintenance and replacement; and
- (d) Condition data can be used to predict the timing of remedial action or asset replacement. As time goes by, predictions will become more accurate as more information becomes available.
- (e)

Rating	Rating Description	Description	Estimated Remaining Life
1	Very Good	New, sound structure or appearance, well maintained. Continue with planned maintenance.	As per Estimate
2	Good	Performance acceptable with minor deterioration (<5%). Normal planned maintenance	As per Estimate
3	Fair	Clear deterioration is evident. Maintenance is required to ensure asset performance is adequate	As per Estimate
4	Poor	Major deterioration evident. Significant maintenance required, consider impairment	Limited

It is important to bear in mind that the benefits of conducting the condition assessment should outweigh the costs of conducting this assessment. For unreasonably expensive condition assessments, alternative approaches should be considered so that the municipality is able to justify the costs while still having fairly reliable information to act upon.

8.5. Acquisition of Assets

A senior staff member / Department head of the department requesting the goods will complete and sign a requisition memorandum detailing the need and the justification of the request. This

is sent to the Budget and Treasury Office (Budget Manager) for approval in line with the annual approved budget.

The authorized requisition memorandum form is then routed to the Supply Chain Management (SCM) – Procurement Section. This requisition is logged in a manual record by a clerk in the Procurement Section. The Procurement Officer sources for quotations from approved suppliers or initiates a tendering process depending on the value of the asset.

The process of acquiring an asset is detailed in the Supply Management Policy of the Municipality.

Receiving of moveable assets

All Moveable assets are centrally (alternatively the assets could be delivered directly to the user who then notifies the supply chain unit and the asset officer should be notified immediately of the delivery to enable his/her unit to tag, update the asset register with the relevant information) received by the asset management department officers/and the stores function. The asset management officer receives the ordered goods and then signs the delivery note. The asset officer checks the received items against the items per the order for:

- a) right quantity; and
- b) right quality.

This is evidenced by stamping a clear bold stamp noting that goods have been received per the quantities and quality ordered. The delivery note is forwarded to expenditure to facilitate payment of supplier.

The asset clerk records the received goods in a manual acquisitions register against the order details recorded during the requisition phase. Immediately the purchased assets are tagged with the sequentially pre-generated asset tags. The tag references used are recorded in the acquisitions register.

An asset acquisition form is generated with input from the asset acquisition register. This form details the following:

- (a) Tag reference;
- (b) Asset description;
- (c) Asset class;

- (d) Receiving department name;
- (e) Municipal user of the purchased asset;
- (f) Depreciation rate;
- (g) Residual value; and
- (h) Confirmation of receipt of asset by user.

This form is reviewed and authorized by the Assets Officer to allow updating of the asset register. Copies of the following documents must be attached to the Asset Acquisition Form (AAF):-

- (a) The Requisition Form;
- (b) The Quotation;
- (c) The Order; and
- (d) The Suppliers Invoice.

8.6. Controls around the Asset Register

- (a) At least two people should know how the Asset management system operates, that is if the main user (Assets Officer) is not available the second person (preferably Supply Chain Manager should be able to step in.
- (b) It should be password protected. The password must be kept by the CFO. It will only be through the CFO that the second person should be given permission to use the spreadsheet.
- (c) All changes made should be authorized and signed-off by the independent person. Proof of such should be filed and be available for audit.

8.7. Disposal of Assets

(a) Disposal committee

The Council shall establish a Disposal Committee. The Chairperson of the Disposal Committee must be a senior independent official in SCM that is not in control of any assets.

(b) Composition of the disposals committee

The disposals committee will be appointed in accordance with the municipal SCM policy. In addition to the above members, the chairperson can co-opt members, in writing, from the following institutions:

- i. One member from the Internal Auditors
- ii. One member from the Auditor General

(c) Planning for disposals

Directorates are responsible for the strategic planning for the disposal of assets that cause the municipality not to perform service delivery efficiently and effectively. Planning for disposals must be conducted by the directorates on an annual basis and revised on quarterly basis and must be submitted to the Disposal Committee for approval. The planning should involve a detailed assessment of assets identified as surplus, redundant or obsolete by the directorate.

Surplus, obsolete or redundant assets include the following:

- a. Assets not required for the delivery of services, either currently, or over the longer planning period.
- b. Assets that have become uneconomical to maintain or to operate.
- c. Assets that is not suitable for service delivery.
- d. Assets that have a negative impact on the service delivery of the municipality, the environment or the community.
- e. Assets that no longer support a directorate's service objective due to a change in type of service being delivered or the delivery method.
- f. Assets where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item.
- g. Assets where the technology has been outdated.
- h. Assets which can no longer be used for the purpose originally intended.

Planning for disposals offers directorates the means of disposal of surplus assets timed to minimize disruption to their service delivery and maximize returns by selecting appropriate time in the assets life cycle.

(d) Assessing disposals

The Disposal Committee is responsible for assessing the disposals proposed by the directorates of the municipality. The Disposal Committee shall also consider the following factors:

- i. Whether there are net disposal benefits, either in financial or other forms.
- ii. Whether there is secondary service obligations associated with the asset which dictates its retention.
- iii. Whether a disposal can be carried out without adverse impacts on the physical environment.

In assessing the benefits of disposal, the advantages and disadvantages for the whole municipality, not just the controlling directorate, must be considered. Assets that have been identified as surplus may need to be retained due to heritage, social, environmental considerations or requirements of other directorates. The symbolic importance and the cultural significance of assets should also be considered when assessing the disposal of the asset. The Disposal Committee should consider the advantages of engaging experts if their experience in disposal activities is infrequent or not core business to assist with the activities in the disposal cycle.

Not all assets identified as surplus will be able to be sold at a value greater than its carrying amount. In such circumstances, the advantages of disposing the asset must be weighed against the costs of continued ownership. Examples of cost of ownership include:

- i. Insurance
- ii. Maintenance
- iii. Storage costs
- iv. Operating costs
- v. Staffing costs

Retaining such assets in service when they no longer effectively support service delivery will expend resources that could otherwise be used elsewhere and could effectively constrain investment in more suitable and economic assets. Disposals need not always be for a financial gain. Other opportunities and gains should also be taken into consideration, for example:

- i. Swapping one asset for another
- ii. Construction of a facility for the municipality in return for the asset.

(e) Approval of disposals

The Asset Management Unit shall prepare an item based on applications received from other directorates requesting assets to be disposed off or request for free donations from the non profit organisations and educational institutions to the Disposal Committee for approval.

Disposal Committee shall be responsible for the approval of the disposal of any assets after:

- i. Deciding on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- ii. Consideration of the fair market value of the asset and the economic and community value to be received in exchange for the asset.

Disposal Committee shall be responsible to meet on a quarterly basis to assess and approve disposals submitted by the Asset Management Unit on behalf of the directorates.

(f) Method of disposal

Disposal of an asset should be performed in a manner which satisfies the following objectives:

- i. The disposal should take place on an equitable basis. There should be an equal opportunity for all to purchase the asset.
- ii. The best possible return for the municipality must be achieved.
- iii. Any adverse environmental impacts should be avoided.

The municipality should document a clear stipulation of the basis on the decision taken to dispose of an asset. The following two methods of disposal could be used to achieve the objectives mentioned above:

Auction

The benefits of an auction are as follows:

- Process is more straightforward.
- Process is open to public scrutiny.
- In some circumstances an auction may generate a higher price.

Tender

This method of disposal is preferred where more control over the actual disposal of the asset is required or where the credentials of the purchaser need to be assessed in detail. This method is

preferable if an objective of the disposal is to achieve black economic empowerment by the transfer of the asset.

Procedures to be followed when disposing an asset

When an asset of the municipality is no longer in use, the following procedures must be followed:

- i. Asset(s) that are uneconomical to maintain or operate must be identified.
- ii. Asset Disposal Form must be completed and signed by the Head of a directorate.
- iii. The Disposal form must clearly motivate the reasons for the disposal of such asset(s).
- iv. The application to dispose of an asset form must be completed and sent to the Asset Management Unit for assessment.
- v. If the item is of a technical nature e.g. computer equipment, a request must be forwarded to IT division to check the status of the equipment and submit a report to the Asset Management Unit.
- vi. Based on the reports and motivation submitted by the heads of directorates, a motivation will then be submitted to the Disposal Committee for approval to dispose of an asset.
- vii. The disposal committee members will authorise the disposal of an asset by signing the Authority to dispose of an asset form.
- viii. The approved forms (Authority to dispose an asset forms) shall be forwarded to Budget and Treasury office for disposal.

(g) Disposal of Computer equipment

In the case of PC's, only on the recommendation of the IT division will the item be disposed of, Preference shall be given to educational institutions, welfare and charitable organisations.

(h) Free Disposal of municipal assets

The following types of organisations shall be considered for a free disposal of the municipality's assets:

- i. Registered welfare or Charitable Organisations;
- ii. Schools catering for handicapped and disabled;
- iii. Schools for special learners;
- iv. Educational institutions initiating programmes for the benefit of the community of the

Mbhashe Municipality.

(i) Other method

Any other proposed method of disposal shall be communicated to the Asset Management Unit for submission to the disposal committee for approval. It is preferable that the method of disposal be included in the disposal plan for each directorate.

(j) Lack of other possible purchasers

Disposal of assets by direct negotiations with one possible interested party should be the exception rather than the rule. When sale by auction or tender has failed due to lack of demand or unacceptable offers were received and established further efforts indicate that efforts to dispose of the asset by auction or tender is unlikely to succeed, direct possible negotiations with one possible interested party shall be allowed.

(k) Final authorization of disposal

Before any asset is disposed of, the directorate under whose control the relevant asset is will be responsible to prepare a disposal authorization document that will detail the following information:

- i. Fixed asset register information of the asset to be disposed of.
- ii. Results of the asset disposal method.
- iii. Proposed terms and conditions of the purchase agreement.
- iv. The recommended purchase price.
- v. The fair value of the asset.

The fair value of the asset must be determined by the relevant directorate. Experts can be used to determine the assets fair value. Assets may not be disposed of at a value that is less than its fair value unless the Disposal Committee determines that there is a mitigating reason to dispose the asset at the lesser value. If a Disposal Committee approves a disposal at a value less than its fair value, Disposal Committee must instruct Budget and Treasury Office to publish the details of the disposal as a public notice in a widely distributed media. The final approval of the disposal shall be conducted at a meeting in terms of the Municipal Finance Management Act (Act No. 56, 2003) and decisions taken shall be documented for future reference by the directorates of the municipality.

(l) Transfer of ownership

The directorate shall be allowed to transfer ownership of the asset only after the following events have occurred:

- The directorate has received a notification from the Asset Management Unit that the Disposal Committee has approved the disposal of the asset in terms of Section 14 of the Municipal Finance Management Act (Act No. 56, 2003)
- The directorate has received payment in full or partial payment in terms of the terms and conditions of the purchase agreement where necessary. At transfer of ownership of the asset, the purchaser must sign an acknowledgement of receipt form as evidence that the purchaser has received the asset according to the terms and conditions of the purchase agreement and in the expected physical condition.

(m) Calculation of the Surplus or (Deficit) on disposal

Profits and losses on the sale of property, plant and equipment are calculated as follows, and are disclosed in total in the financial statements:

	The proceeds of the asset sold (net VAT)
Less:	The Carrying amount
Equals	Surplus / (Deficit) on Disposal of Asset

(n) Accounting for the disposal of assets

When an asset is disposed of the cost of the asset and the accumulated depreciation recorded in the statement of financial position need to be reversed to the statement of financial performance a profit and loss on disposal of asset account. This will result in a debit in the statement of financial performance equal to the asset's carrying value. The total proceeds to be received from the disposal of the asset need to be credited to the profit and loss on disposal of asset account. The account will now reflect a debit or credit amount in the statement of financial performance equal to the profit and loss on disposal discussed above.

Note that depreciation will need to be calculated up to the date of disposal. If the disposal date is during a financial year, the depreciation needs to be calculated on a pro rata basis based on completed months of ownership or use. No depreciation is calculated for the asset after the disposal date. At the disposal date the asset being disposed of needs to be derecognized from the fixed asset register of the municipality.

8.8. Verification of Assets

At least once during every financial year a comprehensive verification of all assets must be undertaken, this is performed by the Asset Management Units together with the Department concerned..

The Asset Management Unit shall promptly and fully report in writing to the CFO all relevant results of such asset verification, provided that each asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report compiled by the Asset Management Division, incorporating the results of all Departments by 30 June of each financial year and be made available to the Auditor-General or his/her personnel.

The asset verification report shall

- i. Include a complete list of all assets identified during the verification process.
- ii. Identify discrepancies and reconcile assets verified to those per the Municipal records.
(Note that the reconciliation of the asset register shall be performed per asset classification).
- iii. Identify obsolete assets to be disposed.

8.9. Insurance of Assets

All insurance of property, plant and equipment and investment properties shall be done in accordance with the municipality's policy and procedures on insurance of council assets.

All insured assets shall be handled in terms of the Municipality's Insurance Policy as agreed with the Insurance Brokers. The MM or designee should ensure that all assets are insured. The CFO should recommend the basis of insurance to be applied to each type of fixed asset (e.g. carrying value or replacement value).

It is the responsibility of the HOD to ensure that the purchased capital asset has been covered for insurance purposes before it is used by the respective department.

It is also the responsibility of the HOD to report potential losses to insured assets to the Asset Management Unit, in order to initiate the insurance claims.

8.10. Transfers of Assets

The Head of department's (HOD's) shall approve all asset movements, which relate to the transfer of assets from one department to the other, these should then be forwarded to Asset Management Unit for approval, actioning and filling.

When a directorate or department transfers an asset item interdepartmentally or within its department, the Asset Transfer Form (Appendix 4) must be forwarded to the department/location receiving the asset or inventory item. These forms should be from a sequentially pre-numbered stationery book.

A copy of this form is to be forwarded to the Asset Management Office for the update of the asset register. An email should simultaneously be sent to the Asset management team to advice of the movement to allow asset Management to swiftly update the asset register and to allow follow up of the authorized asset movement forms. The asset movement form is signed by both the transferee user and the transferor.

Where a department no longer requires the use of an asset it should be transferred to the Administration Department's storage until it is required by another department or disposed of. This should be accompanied by a similar asset movement form for storage.

8.11. Termination of Employment

In the event of a termination of employment of an employee the HOD or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department for their further attention. This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary.

8.12. Custody of Assets

HODs shall be directly responsible for the physical safekeeping of any asset controlled or used by the department in question.

In exercising this responsibility, HODs shall adhere to any written directives issued by the

MM to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's assets. It is the responsibility of all municipal staff to adhere and practice strict physical controls of the assets around their work area. This culture should be practiced and disseminated from top municipal officials to all their subordinates.

8.13. Alienation / Disposal of Assets

Each Departmental Head shall report in writing to the CFO each financial year on all assets controlled or used by the department concerned which such HOD wishes to alienate / dispose in accordance with this policy. The CFO shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the Municipal Manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The Council shall delegate to the Municipal Manager the authority to approve the alienation of asset not affecting the minimum level of basic municipal services with a carrying value less than R5 000 (five thousand rand). The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the MFMA.

Once the assets are alienated, the asset management officer shall use the disposal authorization forms to update the asset register. The updates to the register are reviewed by the relevant official.

8.14. Loss, Theft, Destruction or Impairment

Every HOD shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the CFO within 24 hours of the incident, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

The only reasons for writing off assets, other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the CFO shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

8.15. General Maintenance

Each HOD shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with below) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

8.16. Maintenance Plans

Each HOD shall ensure that a maintenance plan in respect of every new infrastructure asset is promptly prepared and submitted to the Council of the municipality for approval. The Municipal Manager may direct that the maintenance plan be submitted to the Council prior to any approval for the acquisition or construction of infrastructure asset concerned.

Annual reports should be submitted by the HOD's (controlling or using infrastructure assets) to the Council by July each year on the progress in complying with the maintenance plan.

8.17. Private Use of Municipal Assets

Each department should ensure that the removal of assets from municipal premises is monitored. The standard Asset Removal Form should be completed and requested by the HOD each time any asset is removed from municipal premises, these requests should then be approved by the CFO.

No municipal asset may be used for personal gain or profit.

8.18. LIFE CYCLE MANAGEMENT OF IMMOVABLE PPE ASSETS

(a) Definitions and rules

Service delivery

Immovable PPE assets (such as infrastructure and community facilities) are the means by which the municipality delivers a range of essential municipal services. Consequently the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

Asset management

The goal of asset management of immovable PPE is to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers.

The core principles are:

- taking a life-cycle approach;
- developing cost-effective management strategies for the long-term;
- providing a defined level of service and monitoring performance;
- understanding and meeting the impact of growth through demand management and infrastructure investment;
- managing risks associated with asset failures;
- sustainable use of physical resources; and
- continuous improvement in the immovable PPE asset management practices.

(b) Policy statement

The municipality shall provide municipal services for which the municipality is responsible, at an appropriate level, and in a transparent, accountable and sustainable manner, in pursuit of legislative requirements and in support of its strategic objectives, according to the following core principles:

Effective governance

The municipality shall strive to apply effective governance systems to provide for consistent asset management and maintenance planning in adherence to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected.

To this end, the municipality shall:

- continue to adhere to all constitutional, safety, health, systems, financial and asset related legislation;
- regularly review updates and amendments to the above legislation;
- review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- effectively apply legislation for the benefit of the community.

Sustainable service delivery

The municipality shall strive to provide to its customers services that are technically, environmentally and financially sustainable.

To this end, the municipality shall:

- Identify a suite of levels and standards of service that conform to statutory requirements and rules for their application based on long-term affordability to the municipality;
- identify technical and functional performance criteria and measures, and establish a commensurate monitoring and evaluation system;
- identify current and future demand for services, and demand management strategies;
- set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew, and dispose infrastructure assets, where applicable in line with national targets;
- apply a risk management process to identify service delivery risks at asset level and appropriate responses;

- prepare and adopt a maintenance strategy and plan to support the achievement of the required performance;
- allocate budgets based on long-term financial forecasts that take cognisance of the full lifecycle needs of existing and future infrastructure assets and the risks to achieving the adopted performance targets;
- strive for alignment of the financial statements with the actual service delivery potential of the infrastructure assets; and
- implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

Social and economic development

The municipality shall strive to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meet the needs of the various customer user-groups in the community.

To this end, the municipality shall:

- regularly review its understanding of customer needs and expectations through effective consultation processes covering all service areas;
- implement changes to services in response to changing customer needs and expectations where appropriate;
- foster the appropriate use of services through the provision of clear and appropriate information;
- ensure services are managed to deliver the agreed levels and standards; and
- create job opportunities and promote skills development in support of the national Expanded Public Work Program (EPWP).

Custodianship

The municipality shall strive to be a responsible custodian and guardian of the community's assets for current and future generations.

To this end, the municipality shall:

- establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;
- establish appropriate development control measures including community information;

- cultivate an attitude of responsible utilisation and maintenance of its assets, in partnership with the community;
- ensure that heritage resources are identified and protected; and
- ensure that a long-term view is taken into account in infrastructure asset management decisions.

Transparency

The municipality shall strive to manage its infrastructure assets in a manner that is transparent to all its customers, both now and in the future.

To this end, the municipality shall:

- develop and maintain a culture of regular consultation with the community with regard to its management of infrastructure in support of service delivery;
- clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- avail immovable PPE asset management information on a ward basis; and
- continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standards.

Cost-effectiveness and efficiency

The municipality shall strive to manage its infrastructure assets in an efficient and effective manner.

To this end, the municipality shall:

- assess life-cycle options for proposed new infrastructure in line with the Supply Chain Management Policy;
- regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;
- assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of infrastructure assets;
- continue to secure and optimally utilise governmental grants in support of the provision of free basic services;

- implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
- ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
- establish and implement demand management plans;
- timeously renew infrastructure assets based on capacity, performance, risk exposure, and cost;
- timeously dispose of infrastructure assets that are no longer in use;
- review management and delivery capacity, and procure external support as necessary;
- establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
- strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.

(d) Responsibilities

- Upon adoption of this policy by Council, the AO shall meet regularly with the CFO and HODs and to take measures to effectively implement this policy, and to report to Council on progress made at a frequency indicated by Council.
- HODs shall develop, and update at regular intervals to be determined by the AO in consultation with the CFO and HODs, an Asset Management Plan (AMP) for each service involving immovable PPE that shall assess levels and standards of service, future demand, risk, determine a lifecycle plan for a minimum 10 year planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the AO to Council for adoption. AMPs shall be used to inform the preparation of a CMIP and budgets through the IDP process. The time frame for the first time implementation of this will be determined by the AO in consultation with the CFO and HODs.
- The CFO shall, in consultation with HODs, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and utilisation for that are common and applicable to all services. Where necessary, the HODs shall interpret the grading scales for the immovable PPE assets under their control. HODs shall determine the grading of all immovable PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at intervals to be determined by the AO in consultation with the CFO and HODs.

- HODs shall prepare, and review at regular intervals to be determined by the AO in consultation with the CFO and HODs, an Operations and Maintenance Strategy and Plan, and submit such, through the AO, to Council for adoption. The municipality shall engage contractors when necessary to support in the implementation of maintenance actions and adopt a system that assists in managing such maintenance. The time frame for the first time implementation of this will be determined by the AO in consultation with the CFO and HODs.
- HODs shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the AO, to Council for adoption and inclusion in the Services Delivery and Budget Implementation Plan. HODs shall establish a monitoring regime, and report actual performance each financial year. The time frame for the first time implementation of this will be determined by the AO in consultation with the CFO and HODs.
- The AO shall establish procedures to ensure that legislative requirements regarding the management of immovable PPE assets, including but not limited to health and safety, and environmental protection, are documented and advised to HODs. HODs shall address legislative needs in their strategies and plans, and shall enforce implementation.
- Review the municipality's Risk Management framework to ensure that it is effective for the management of physical risks to infrastructure and buildings. Important actions shall be identified and implemented. The HODs shall report risk exposure relating to their respective assets each financial year.

ANNEXURE 1- Asset Useful lives guideline

****** Note this is a suggested MFMA-Local Government Capital Asset Management Guideline, however Municipalities must use their judgment based on operational experience, historical asset usage trends and in consultation with specialists where necessary. Should the municipality's management decide on a useful life outside the given parameters, the Office of the Accountant-General at National Treasury (OAG) should be approached, and provided with a motivation, for its agreement of the rate used.

Land

Developed Land – not depreciated

Undeveloped Land – not depreciated

Buildings

Office Buildings – 30 Years (including air conditioning systems)

Libraries – 30 Years

Warehouses – 30 Years

Community Assets

Community Centers – 30 Years

Infrastructure Assets

Road Assets

- Bridges (Concrete) – 60 Years
- Culverts – 30 Years
- Kerb and channels – 40 Years
- Roads Surface (Asphalt) – 20 Years
- Roads Layer (Asphalt) – 30 Years
- Roads Surface (Asphalt) – 20 Years
- Roads Surface (Gravel) – 3 Years

Electrical Assets

- Street Lights – 25 Years
- Traffic Lights – 10 Years

Solid Waste

- Perimeter protection – 10 Years

Cemeteries

- Cemeteries – 30 Years
- Perimeter protection – 10 Years

Other Assets

Machinery and Equipment

- Audiovisual equipment – 7 Years
- Domestic equipment – 5 Years
- Fire fighting equipment – 5 Years
- Photographic equipment – 7 Years
- Road maintenance equipment – 7 Years
- Telecommunication equipment – 5 Years
- Workshop Equipment – 7 Years

Furniture and Fittings

- Advertising Boards – 5 Years
- Air conditioners (Fixed & Movable) – 5 Years
- Office furniture – 7 Years

Computer Equipment

- Computer hardware (including operating systems) – 5 Years
- Networks – 5 Years

Motor Vehicles

- Graders – 7 Years
- Motor Vehicles (Passenger) – 5 Years
- Tractors – 7 Years
- Trailers and accessories – 7 Years
- Trucks – 7 Years

Intangible Assets

Computer software – 3 Years

ANNEXURE 2 - Asset Acquisition Form (AAF)

Asset Number (Tag reference): -

Date of Acquisition: -

Cost Price of Asset: - R

Asset Description: -

Depreciation rate:-

Service: -

Cost Centre: -

Asset Department: -

Asset Type: -

Current Details

Town: -

Location: -

Reason for acquiring the Asset: -

Municipal Employee Requesting Acquisition: -

Name (Printed): - _____

Position held: - _____

Confirmation of receipt of asset by user:-

Authorised by: - _____

Position held: - _____

ANNEXURE 3- Asset Sales / Scrapping Form (ASSF)

Asset Sales / Scrapping Number: -

Asset Number: -
Asset Description: -
Service: -

Current Details

Town: -
Location: -
Reason for Scrapping Asset: - _____

Municipal Employee Requesting Scrapping: -

Name (Printed): - _____

Position held: - _____

Authorized by: - _____

Position held: - _____

ANNEXURE 4 - Asset Transfer Form (ATF)

Asset Transfer Number: -

Asset Number: -

Asset Description: -

Service: -

Current Details

Town: -

Location: -

Future Details

Intended Location: -

Town: -

Location: -

Reason for moving Asset: - _____

Municipal Employee Requesting Transfer: -

Name (Printed): - _____

Position held: - _____

ANNEXURE 5 – Examples of Motor Vehicles As Per VAT Act

The term “**motor car**” includes the following vehicles (that is, where input tax will generally be denied):

- (a) Double cab bakkies (LDVs).
- (b) Ordinary sedan type passenger vehicles. (c)
Station wagons.
- (d) Minibuses.
- (e) Sport utility vehicles (SUVs).

The term “motor car” excludes the following vehicles (that is, input tax will generally be allowed if all the other requirements for input tax are met):

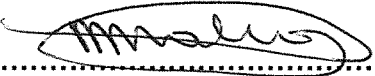
- (a) Goods transportation trucks.
- (b) Single cab light & heavy delivery vehicles.
- (c) Motor cycles.
- (d) Caravans.
- (e) Ambulances, game viewing vehicles and hearses.
- (f) Vehicles capable of accommodating more than 16 persons (for example, a bus).
- (g)

Vehicles with a loaded mass of 3500 kg or more.

- (h) Special purpose vehicles constructed for purposes other than the carrying of passengers.


- (i) Equipment such as bulldozers, graders, hysters, harvesters and tractors.

- (j)
- Approved by Council and Signed by:


.....

**Mr NAKO M
ACTING MUNICIPAL MANAGER**

07/08/17
.....
DATE

Cllr. Janda S.N

.....
MAYOR

07/08/17
.....
DATE