



# **ASSET MANAGEMENT POLICY**

**APPROVAL DATE BY COUNCIL: 31/05/2013**

**COUNCIL RESOLUTION NUMBER: LC.MC-178/05/2013**

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## 1 BACKGROUND OF THE POLICY

This policy is informed by the three Standards of Generally Recognised Accounting Practice (GRAP), the following standards are components of fixed assets i.e.

- a) Property, Plant and Equipment, GRAP 17
- b) Inventories, GRAP 12 and
- c) Investment Property, GRAP 16

## 2 DEFINITIONS

The following terms are used in this Policy with the meaning specified in the relevant GRAP standards mentioned above:

**“Current replacement cost”** means is the cost the Municipality would incur to acquire the asset on the reporting date;

**“Carrying amount”** means the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses;

**“Cost”** means 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 recognized in accordance with the specific requirements of other Standards of GRAP;

**“Depreciable amount”** means the cost of an asset, or other amount substituted for cost, less its residual value;

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

**“Fair value”** means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction;

An **“impairment loss”** of a cash-generating asset means the amount by which the carrying amount of an asset exceeds its recoverable amount;

An **“impairment loss”** of a non- cash-generating asset means the amount by which the carrying amount of an asset exceeds its recoverable amount;

An **“inventory”** for the purpose of this policy means land or buildings held for sale or distribution in the ordinary course of operations;

**“Investment property”** means the 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, rather than for:

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

**“Net realizable value”** means the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution;

**“Owner-occupied property”** means property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes;

**“Property, plant and equipment”** mean tangible items that:

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

**“Recoverable amount”** means the higher of a cash-generating asset’s net selling price and its value in use;

**“Recoverable service amount”** means the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use;

**“The residual value”** of an asset means the estimated amount that the Municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life;

**“Useful life”** means:

- a) the period over which an asset is expected to be available for use by the Municipality, or
- b) the number of production or similar units expected to be obtained from the asset by the Municipality;

### **3 ROLE OF THE MUNICIPAL MANAGER**

As accounting officer of the Municipality, the Municipal Manager shall be the principal custodian of all the Municipality’s fixed assets, and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

### **4 ROLE OF THE CHIEF FINANCIAL OFFICER**

4.1 The Chief Financial Officer shall be the fixed asset registrar of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

4.2 No amendments, deletions or additions to the fixed asset register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.

### **5 FORMAT OF THE FIXED ASSET REGISTER**

5.1 The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of Generally Recognised Accounting Practice (GRAP) and any other accounting requirements which may be prescribed.

5.2 The fixed asset register shall reflect the following information:

- a) a brief but meaningful description of each asset.
- b) the date on which the asset was acquired or brought into use.
- c) the location of the asset.
- d) the Department(s) and Vote(s) within which the assets will be used.
- e) the title deed number, in the case of fixed property.
- f) the stand number, in the case of fixed property.
- g) where applicable, the identification number.

- h) the original cost, or the revalued amount, or the fair value if no costs are available.
- i) the (last) revaluation date of the fixed assets subject to revaluation (where applicable).
- j) the revalued value of such fixed assets (where applicable).
- k) who did the (last) revaluation (where applicable).
- l) accumulated depreciation to date (where applicable).
- m) the depreciation charge for the current financial year (where applicable).
- n) the carrying value of the asset.
- o) the method and rate of depreciation (where applicable).
- p) impairment losses incurred during the financial year (and the reversal of such losses, where applicable).
- q) the source of financing.
- r) the current insurance arrangements.
- s) whether the asset is required to perform basic municipal services.
- t) whether the asset has been used to secure any debt, and, if so, the nature and duration of such security arrangements.
- u) the date on which the asset is disposed of.
- v) the disposal price.
- w) the date on which the asset is retired from use, if not disposed of.

5.3 All Heads of Department under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the fixed asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

5.4 A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset.

5.5 A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing off such an asset.

## **6 CLASSIFICATION OF FIXED ASSETS**

6.1 In compliance with the requirements of the National Treasury, the Chief Financial Officer of the Municipality shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and Heads of Departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

### **6.2 PROPERTY, PLANT AND EQUIPMENT**

- a) land (not held as investment assets).
- b) infrastructure assets (assets which are part of a network of similar assets).
- c) community assets (resources contributing to the general well-being of the community).
- d) heritage assets (culturally significant resources).
- e) other assets (ordinary operational resources).

### **6.3 INVENTORY**

land or building (held for sale).

### **6.4 INVESTMENT PROPERTY**

land or a building (held by the owner or by the lessee) under a finance lease to earn rentals or for capital appreciation or both.

### **6.5 INTANGIBLE ASSETS**

- a) An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
- b) No intangible item shall be recognised as a fixed asset, except that the Chief Financial Officer, acting in strict compliance with the criteria set out in GRAP statements dealing with research and development expenses may



recommend to the Council that specific development costs be recognised as fixed assets.

## 6.6 HERITAGE ASSETS

## 7 RECOGNITION OF FIXED ASSETS

7.1 The Chief Financial Officer of the Municipality or the delegated person shall ensure that the recognition of fixed assets is accordance with applicable Standard of GRAP. An asset with a minimum value of R5 000 shall be recognised as a fixed asset. In addition similar assets of the same sub-category whose individual values, before VAT, are less than R5 000 but cumulatively would exceed R5 000, must be grouped and capitalised under one line item/narration e.g. Total chairs.

7.2 No item with an initial cost or fair value of less than R5 000 (five thousand rand) or such other amount as the Council of the Municipality may from time to time determine on the recommendation of the Municipal Manager, shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

7.3 Every Head of Department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stock sheet. Every Head of Department shall moreover ensure that the existence of items recorded on such stock sheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stock sheets pursuant to such stock verifications shall be retained for audit purposes.

## 8 MEASUREMENT AT RECOGNITION

8.1 The Chief Financial Officer or the delegated person shall ensure that any item of assets that qualifies for recognition as a fixed asset shall be measured at its cost.

8.2 Where an asset is acquired at no cost, or for a nominal cost, the Chief Financial Officer or the delegated person shall assign the cost such asset as its fair value as at the date of acquisition.

8.3 The elements of cost regarding the Property, Plant and Equipment shall be determined in accordance with paragraph .25 of GRAP 17.

## **9 MEASUREMENT AFTER RECOGNITION**

Measurement after recognition of the Municipal fixed assets shall be in accordance with applicable Standards of GRAP and the Chief Financial Officer shall ensure that measurement after recognition is treated as follows:

### **9.1 PROPERTY, PLANT AND EQUIPMENT**

The Municipality shall, based on the cost model as its accounting policy and applied to the entire class of Property, Plant and Equipment. In terms of the cost model after recognition as an asset, an item of Property, Plant and Equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

## **10 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER**

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

## **11 RECOGNITION OF DONATED ASSETS**

Where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the Chief Financial Officer. To be recognised as a fixed asset, the donated asset must have a minimum value of R5 000.

## **12 SAFEKEEPING OF ASSETS**

Every Head of Department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the Department in question.

In exercising this responsibility, every Head of Department shall adhere to any written directives issued by the Municipal Manager to the Department in question, or generally to all Departments, in regard to the control of or safekeeping of the Municipality's fixed assets.

### **13 IDENTIFICATION OF FIXED ASSETS**

13.1 The Municipal Manager shall ensure that the Municipality maintains a fixed asset identification system (BAUD SYSTEM) which shall be operated in conjunction with its computerised fixed asset register.

13.2 The identification system shall be determined by the Municipal Manager, acting in consultation with the Chief Financial Officer and other Heads of Departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the Municipality's audit report(s), and shall be decided upon within the context of the Municipality's budgetary and human resources.

13.3 Every Head of Department shall ensure that the asset identification system approved for the Municipality is scrupulously applied in respect of all fixed assets controlled or used by the Department in question.

### **14 PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS**

Every Head of Department 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 Chief Financial Officer, to the Internal Auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

### **15 CAPITALISATION CRITERIA: INTANGIBLE ITEMS**

No intangible item shall be recognised as a fixed asset, except that the Chief Financial Officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the Council that specific development costs be recognised as fixed assets.

## **16 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

16.1 Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

16.2 Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

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

## **17 MAINTENANCE PLANS**

17.1 Every Head of Department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council of the Municipality for approval.

17.2 If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

17.3 The Head of Department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

## **18 DEFERRED MAINTENANCE**

18.1 If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council of the Municipality has approved in order to redress such deferral of the maintenance requirements concerned.

18.2 If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the Head of Department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

## **19 GENERAL MAINTENANCE OF FIXED ASSETS**

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

## **20 DEPRECIATION OF FIXED ASSETS**

20.1 All fixed assets, except land and heritage assets, shall be depreciated. Land and buildings are separable assets and are accounted separately, even when they are acquired together. Buildings have a limited useful life and therefore are depreciable assets.

20.2 The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation shall be accounted for on a monthly basis against the appropriate line item in the Department or Vote in which the asset is used or consumed.

20.3 However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired, or, in the case of construction works and plant and machinery, the day following the day in which the fixed asset

is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated monthly.

20.4 Each Head of Department, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the Department in question or expected to be so controlled or used during the ensuing financial year.

20.5 In depreciating Property, Plant and Equipment the Chief Financial Officer shall take the following into account;

- a) 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.
- b) The depreciation charge for each period shall be recognized in surplus or deficit unless it is included in the carrying amount of another asset.
- c) The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.
- d) 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.
- e) Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.
- f) The future economic benefits or service potential embodied in an asset are consumed by the Municipality principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits or service potential

that might have been obtained from the asset. Consequently, the Chief Financial Officer must take all the following factors into considered in determining the useful life of an asset:

- i. expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output;
- ii. expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle;
- iii. technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset;
- iv. legal or similar limits on the use of the asset, such as the expiry dates of related leases.

20.6 The Chief Financial Officer shall depreciate the Investment Property in accordance with the model used by the Municipality on Property, Plant and Equipment.

## **21 RATE OF DEPRECIATION**

21.1 The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the Municipality's fixed asset register. In determining such a useful life the Chief Financial Officer shall adhere to the useful lives of assets set out in this Policy document.

21.2 In the case of a fixed asset which is not listed in useful lives of assets, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the Head of Department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

## **22 METHOD OF DEPRECIATION**

- 22.1 The depreciation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality.
- 22.2 The Chief Financial Officer shall review the depreciation method applied to Property, Plant and Equipment 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 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 on Accounting Policies, Changes in Accounting Estimates and Errors.

## **23 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS**

- 23.1 Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the Chief Financial Officer shall inform the Council of the Municipality of such amendment.
- 23.2 The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.
- 23.3 If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.



- 23.4 Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.
- 23.5 In all the foregoing instances, the additional depreciation expenses shall be debited to the Department or Vote controlling or using the fixed asset in question.
- 23.6 If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the Department or Vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

## **24 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES**

- 24.1 The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.
- 24.2 The Chief Financial Officer shall only employ this method of depreciation if the Head of Department controlling or using the fixed asset in question gives a written undertaking to the Municipal Manager to provide:
- a) estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and
  - b) actual statistical information, for each financial year.
- 24.3 The Head of Department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.
- 24.4 Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding

paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the Municipality of the decision in question.

## **25 CARRYING VALUES OF FIXED ASSETS**

25.1 All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation and accumulated impairment losses and in terms of the cost model used by the Municipality.

25.2 The only exceptions to this rule shall be revalued assets and heritage assets in respect of which no value is recorded in the fixed asset register.

## **26 REVALUATION OF FIXED ASSETS**

26.1 All land and buildings recorded in the Municipality's fixed asset register shall be re-valued with the adoption by the Local Municipalities' of their new valuation rolls. The Chief Financial Officer shall ensure that the frequency of revaluations is determined by the changes in the fair values of the items of property, plant and equipment being revalued. When the fair value of a re-valued asset differs materially from its carrying amount, a further revaluation is required.

26.2 The Chief Financial Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned.

26.3 The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its re-valued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the Department or Vote controlling or using the fixed asset in question.

- 26.4 The Chief Financial Officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see 26 above).
- 26.5 If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the Chief Financial Officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the Department or Vote controlling or using the asset in question.
- 26.6 Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

## **27 VERIFICATION OF FIXED ASSETS**

- 27.1 Every Head of Department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the Department concerned.
- 27.2 Every Head of Department shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, 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 Chief Financial Officer not later than 30 June of the year in question.

## 28 ALIENATION OF FIXED ASSETS

- 28.1 In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the Municipality's supply chain management policy.
- 28.2 Every Head of Department shall report in writing to the Chief Financial Officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the Department concerned which such Head of Department wishes to alienate by public auction or public tender. The Chief Financial Officer shall thereafter consolidate the requests received from the various Departments, and shall promptly report such consolidated information to the Executive Committee of the Municipality, as the case may be, recommending the process of alienation to be adopted.
- 28.3 The Council shall delegate to the Municipal Manager the authority to approve the alienation of any fixed asset with a carrying value less than R5 000 (five thousand rand).
- 28.4 Once the fixed assets are alienated, the Chief Financial Officer shall delete the relevant records from the fixed asset register.
- 28.5 If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the income statement of the Department or Vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the Department or Vote concerned.
- 28.6 All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the Department or Vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any Department or

Vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

28.7 Transfer of fixed assets to other Municipalities, Municipal Entities (whether or not under the Municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

## **29 OTHER WRITE-OFFS OF FIXED ASSETS**

29.1 A fixed asset even though fully depreciated shall be written off only on the recommendation of the Head of Department controlling or using the asset concerned, and with the approval of the Council of the Municipality.

29.2 Every Head of Department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any fixed assets which such Head of Department wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports, and shall promptly submit a recommendation to the Executive Committee on the fixed assets to be written off.

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

29.4 In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such Department or Vote, as additional depreciation expenses, the full carrying value of the asset concerned.

## **30 REPLACEMENT NORMS**

The Municipal Manager, in consultation with the Chief Financial Officer and other Heads of Departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the Council of the Municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the norms and

standards applicable to the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

### 31 INSURANCE OF FIXED ASSETS

31.1 The Municipal Manager shall ensure that all movable fixed assets are insured immediately at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

31.2 The Municipal Manager shall recommend to the Council of the Municipality, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

### 32 AVERAGE USEFUL LIFE

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Useful life</b>
Property – land	indefinite
Property – buildings	30 years
Lifts	30 years
Air-conditioners	5 years
Computer software, other	3 years
<b>Item</b>	<b>Average useful life</b>
<b>Infrastructure</b>	
Roads and paving	10 - 30 years
Electricity	20 - 30 years
Water	15 - 20 years
Sewerage	15 - 20 years
Landfill site	4 years
<b>Community</b>	
Buildings	30 years
Recreational Facilities	20 - 30 years
Security	5 years
<b>Other property, plant and equipment</b>	
Buildings	30 years
Specialist vehicles	20 years
Other Vehicles	5 years
Furniture and fittings	7 years
Bins and containers	5 years

Office equipment	3 - 7 years
<b>Heritage</b>	
Museums & other collectables	indefinite
<b>Library book collections</b>	5 – 14 years
<b>Different categories</b>	
Reference material	14 years
Fiction	5 years
Non-fiction	8 years
Audio-books and electric media	5 years
Special needs resources	6 years

### 34 POLICY ADOPTION

This policy has been considered and approved by the Council of **Lesedi Local Municipality** on this day.....31..... of .....May..... 2013

This policy will take effect at **Lesedi Local Municipality** on this day.....1..... of .....July..... 2013.