



**MAKHUDUTHAMAGA**  
**LOCAL MUNICIPALITY**  
**Approved Asset Management Policy**  
**2023/24**

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## 1. OBJECTIVES

- To set out certain criteria which have to be met before capital expenses could be capitalized as an item of property, plant and equipment,
- To classify different items of property, plant and equipment depending on their nature, use and location,
- To determine the useful lives of different items of property, plant and equipment,
- To set out criteria for determining the initial cost of the different items of property, plant and equipment,
- To determine the method of calculating depreciation for different items of property, plant and equipment,
- To set out the treatment and procedures for subsequent measurement of property, plant and equipment,
- To set out the treatment and procedures for scrapping and disposal of property, plant and equipment,
- To set out procedures for the control and management of property, plant and equipment,
- To set out procedures for the annual physical verification of property, plant and equipment,
- To set out the treatment for property, plant and equipment held under finance lease, and
- To set out the treatment for research and development costs.
- To set out the treatment of Landfill site assets

## 2. DEFINITIONS

- **An asset is defined in terms of the Framework for the Preparation and Presentation of Financial Statements** as a resource, tangible and intangible, controlled by the municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the entity.
- Property, Plant and Equipment (PPE) are tangible, identifiable assets that are held by the municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.
- **PPE** should be classified according to the following definition groups
  - a. **Infrastructure assets** which are defined as assets that usually display some or all of the following characteristics:
    - i. they are part of a network,
    - ii. they are specialised in nature and do not have an alternative use,
    - iii. They are immovable, and
    - iv. they may be subject to constraints on disposal
    - v. Examples are road networks, sewer systems, water, electricity networks, purification and trunk mains, transport terminals, etc.
  - b. **Community assets** which are defined as assets that contribute to the community's well-being. Examples are parks, libraries and fire stations.
  - c. **Heritage assets** which are defined as cultural significant resources
  - d. **Biological assets** which are assets acquired for agricultural purposes
  - e. **Minor assets** which are defined as assets which were acquired for an amount of R2 500 and below
  - f. **Other assets** are assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.
- **Investment properties** 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, 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.
- **Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.

- **Intangible assets** are defined as identifiable non-monetary asset without physical substance
- **Depreciable amount** is the cost of an asset, or other amount substituted for cost, less its residual value.
- **Useful life** is either the period of time over which an asset is expected to be used by the municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.
- **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.
- **Residual value** is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected cost of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.
- **Fair value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- **Carrying value** is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
- **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.
- **Recoverable amount** is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.
- **Value in Use** reflects the amount that can be derived from an asset through its operation and its disposal at the end of its useful life.
- A **finance lease** is a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset from the lessor to the lessee.
- **Capitalization of assets** means the recording of assets in the Fixed Asset Register with its historical financial cost in accordance with GRAP
- **Asset Management** means management of assets of a Municipality as required by Municipal Legislation which *inter alia* includes the

compilation and management of the asset register

- **CFO** The Chief Financial Officer or the official acting in that capacity
- **Fixed Asset Register** is a list of assets owned or controlled by an entity. It contains pertinent details about each asset to track their value and physical location. The Municipal Asset register is in a computerized format and is maintained strictly inline the requirements contained I the GRAP standards.
- **Owner Occupied** means property held (by owner or by the lessee under a finance lease) for use in the production or supply of goods and services or for administrative purposes.
- **Repairs and maintenance** means all actions and measures performed on existing tangible assets that are undertaken to prevent deterioration and failure and to restore the physical condition, quality of functionality and operational performance
- **Development** is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use
- Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding."

### 3. ACRONYMS

- **PPE:** Property, plant and equipment
- **MFMA:** Local Government: Municipal Finance Management Act, 2003 (Act 56 2003)
- **GRAP:** Generally Recognized Accounting Practice
- **ISA:** International Accounting Standards
- **SCM:** Supply Chain Management
- **FAR:** Fixed Asset Register

### 4. REGULATORY FRAMEWORK AND APPLICABLE STANDARDS OF GRAP

- MFMA
- SCM
- Framework for the Preparation and Presentation of Financial Statements
- GRAP 13

- GRAP 16
- GRAP 17
- GRAP 21
- GRAP 26
- GRAP 31

## 5. FUNCTIONAL RESPONSIBILITIES

- **The Accounting Officer**

Section 63 of the MFMA states that:-

(1) The Accounting Officer is responsible for the management of—

(a) the assets of the municipality, including the safeguarding and the maintenance of those

assets; and

(b) the liabilities of the municipality.

(2) The Accounting Officer must for the purposes of subsection (1) take all reasonable steps to

ensure—

(a) that the municipality has and maintains a management, accounting and information

system that accounts for the assets and liabilities of the municipality;

(b) that the municipality's assets and liabilities are valued in accordance with standards of

generally recognised accounting practice; and

(c) that the municipality has and maintains a system of internal control of assets and

liabilities, including an asset and liabilities register, as may be prescribed."

- **The Chief Financial Officer**

The CFO shall be the custodian of the asset register of the Municipality, and shall ensure that a

complete, accurate and up-to-date computerised asset register is maintained. No amendments,



deletions or additions to the fixed asset register shall be made other than by the CFO or by an

official acting under the written instruction of the CFO.

- **Asset Management Unit**

The CFO or his/her delegate is designated as the Municipal Asset Co-coordinator and is responsible for ensuring that:

- a. A FAR is maintained
- b. The FAR is reconciled monthly with the general ledger
- c. Assets are verified annually. The results of the verification must be reported to the CFO, the Accounting Officer or Council
- d. The allocation of barcode ranges is coordinated
- e. All asset audit queries are resolved timeously
- f. The municipality's assets are valued in accordance with the standards of GRAP
- g. Ensure that assets that are damaged or lost due to negligence are reported to the CFO for recovery of the lost from the user concerned. This can be done by completion of the debt collection for as acknowledge of debt, then the loss amount can be deducted through payroll. The user may also opt do make a cash settlement directly into the municipal bank account.

- **Supply Chain Management Unit**

5.3.1. The Supply Chain Management Unit shall with regard to the acquisition and disposal of assets:

- a. Ensure that all assets are acquired in terms of the SCM Policy
- b. Ensure that a completed asset movement form is presented with the assets, before accepting an obsolete or damaged asset or inventory item
- c. Ensure that a record is kept of all obsolete, damaged and unused assets received from all departments
- d. Compile a list of the items to be auction in accordance with their guidelines
- e. Ensure that all obsolete or damaged assets are disposed off as per the requirements of the SCM Policy

- **Cooperate Services**

The Human Resource Management Unit shall ensure that no monies are paid out to staff on termination of their service prior to receiving the relevant asset resignation form signed off by the relevant

directorate.

- **All Other Departments**

5.5.1. All other Departments within the municipality shall:

- a. Ensure that employees in their departments adhere to the approved Asset Management Policy
- b. Ensure that assets are procured in terms of the SCM Policy
- c. Ensure that employees with delegated authority have been nominated to implement and maintain physical control over assets in their departments. Although authority has been delegated, responsibility remains with the respective employees of the departments and overall accountability with the Directors of relevant directorates.
- d. Ensure that the notice of termination of service/clearance form for staff, is duly completed and submitted to the Human Resource Management Directorate
- e. Ensure that assets are properly maintained
- f. Ensure that adequate barcodes are available at all times to exercise management and control
- g. Ensure that the asset management unit is notified via an asset movement form within 10 working days of any changes in the status of assets under the department's control
- h. Ensure that location changes are reported to the asset management unit
- i. Ensure that obsolete/damaged assets are reported to the asset management unit

## **6. RECOGNITION AND CLASSIFICATION OF ASSETS**

- **Recognition**

6.1.1. An asset shall be recognized as an asset in the statement of financial position as an asset if:

- a. It meets the definition of an asset;
- b. The cost or fair value can be measured reliably; and
- c. A valid invoice to council or other purchasing document must exist

- **Classification**

6.2.1 Categories of non - current assets are classified according to the following asset groups:

1.1.1.1 Property, plant and equipment

- 1.1.1.2 Investment properties
- 1.1.1.3 Intangible assets
- 1.1.1.4 Heritage assets
- 1.1.1.5 Biological assets

6.2.2 Spare parts and servicing equipment will be carried as inventory and recognised as an expense as consumed. However, major spare parts and stand-by equipment that is to be used for more than 12 months will qualify as property, plant and equipment and will be capitalised if all other criteria (as stated above) is met.

6.2.3 An item of property, plant and equipment that is made of different component parts which have different useful lives, will be accounted for in the following way:

6.2.3.1 The total expenditure on the item of property, plant and equipment will be allocated to the different component parts and therefore,

6.2.3.2 Each component part will be capitalised separately, and

6.2.3.3 Depreciation will be calculated over each component part's useful life.

6.2.4 This will result in the use of different depreciation rates for different component parts. For example, a sewerage purification works and the sewerage reticulation network will be treated as separate depreciable assets if they have different useful lives.

## **7 INITIAL MEASUREMENT**

### **7.1. Property, plant and equipment**

7.1.1 Property, plant and equipment are recorded at cost which shall include the purchase price and other acquisition costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating. These costs include installation costs, the cost of site preparation, initial delivery and handling cost, professional fees paid to architects and engineers, freight charges, transportation, non-refundable taxes, legal costs and duties, and any direct attributable costs of bringing the assets to working condition for its intended use.

- 7.1.2 Costs that should be excluded from the cost of PPE include trade discounts received, rebates received, interest paid, etc.
- 7.1.3 When an item of property, plant and equipment is acquired by way of an exchange for a dissimilar asset, the following accounting treatment will be followed:
  - 7.1.3.1 The cost of the asset to be capitalized will be the fair value of the asset given up adjusted by the amount of cash or cash equivalents transferred,
  - 7.1.3.2 A profit/loss on the asset given up will be calculated as the difference between the cost of the asset to be capitalised and the book value of the asset given up.
- 7.1.4 When an item of property, plant and equipment is acquired by way of an exchange for a similar asset with a similar use and has a similar fair value, the following accounting treatment will be followed:
  - 7.1.4.1 The cost of the new asset will be the carrying amount of the asset given up, and
  - 7.1.4.2 No profit/loss is recognized on the transaction.

## **7.2. Investment properties**

- 7.2.1 An item shall be recognized as investment property if it meets the definition.
- 7.2.2 Investment property is recorded at cost
- 7.2.3 Disclosable value measured at recognition:
  - 7.2.3.1 Initially at acquisition cost plus transaction cost, or nominal value
  - 7.2.3.2 Where acquired at no cost or nominal value, fair value at acquisition is deemed to be cost or disclosure
  - 7.2.3.3 If held under a lease and classified as investment property, it is the lower of fair value and the present value of the minimum lease payments

## **8 SUBSEQUENT EXPENDITURE**

8.1 Subsequent expenditure on property, plant and equipment will only be recognized as an asset when:

8.1.1 The expenditure improves the condition of the asset beyond its originally assessed standard of performance, and

8.1.2 Cost incurred to restore or maintain the future economic benefits that Council could expect from the originally assessed standard of performance will be recognized as expenses in the income statement when incurred, except when:

8.1.2.1 The carrying amount of an item of property, plant and equipment already takes into account a loss in economic benefits or potential service provision, and

8.1.2.2 The purchase price of an asset already reflects the municipality's obligation to incur expenditure in future, which is necessary to bring the asset to its working condition.

8.1.3 In these cases the subsequent expenditure will be capitalized provided that:

## **9 THE CARRYING AMOUNT DOES NOT EXCEED THE RECOVERABLE AMOUNT OF THE ASSET SUBSEQUENT MEASUREMENT FOR PROPERTY, PLANT AND EQUIPMENT OTHER THAN REVALUE FIXED PROPERTY**

Subsequent to initial recognition as an asset, an item of property, plant and equipment will be carried at cost less accumulated depreciation, provided that the carrying amount is not higher than the recoverable amount.

### *9.1 Depreciation*

9.1.1 The depreciation charge for each period will be recognized as an expense in the statement of financial performance unless it is included in the carrying amount of another asset. In this case the depreciation charge will comprise part of the cost of the other asset, for example the depreciation of manufacturing plant and equipment will be included in the cost of the asset being constructed.

- 9.1.2 The straight-line depreciation method will be utilized to reflect the pattern in which all the asset's economic benefits or potential service provision are consumed by Council.
- 9.1.3 Depreciation will be charged to the statement of financial performance even if the value of the asset exceeds its carrying amount.
- 9.1.4 When known, at the purchase of an asset, that the asset will involve significant removal, restoration or other cost, at the end of the asset's useful life, the accounting treatment will be followed:
- 9.1.5 The estimated costs will be recognized as an expense over the life of the asset until the liability is fully provided for, and
- 9.1.6 When the cost is incurred it will be set off against the liability.

## 9.2 *Useful life*

- 9.2.1 The estimation of the useful lives of infrastructure, community assets, the building component of investment properties and other assets are included in the Useful Life Guideline to this Chapter.
- 9.2.2 The Useful Life Guideline must be used for all new assets purchased unless:
  - 9.2.2.1 A more appropriate useful life is motivated by the Department purchasing the asset, and ;
  - 9.2.2.2 The useful life is approved by the Chief Financial Officer.
- 9.2.3 Where there are no useful lives for assets given in the Useful Life Guideline and it is impossible to estimate the future life, the accounting treatment will be as follows:
  - 9.2.3.1 To make an annual assessment to determine whether there has been deterioration in the potential service delivery or future economic benefits regarding the relevant assets,
  - 9.2.3.2 To account for a depreciation charge where deterioration has occurred, and ;
  - 9.2.3.3 To adjust the carrying value of the relevant assets accordingly.

9.2.4 Land and buildings will be treated as separable assets even when they are acquired together. Land has an unlimited life and will be treated as set out above while buildings have a limited life and are therefore depreciable assets.

## **10 REVIEW OF USEFUL LIFE**

10.1 When the useful life of an item of property, plant and equipment are significantly different from previous estimates the depreciation charge for the current and the future periods will be adjusted.

10.2 The Accounting officer is responsible for the reviewing of useful life and assets, and may delegates the duty to the Chief Financial Officer.

10.3 The useful life of all depreciable items of property, plant and equipment will be reviewed on an annual basis.

## **11 RECOVERY OF THE CARRYING AMOUNT**

### *Impairment*

11.1 When the recoverable amount of an item of property, plant and equipment has declined below the carrying amount, the accounting treatment will be as followed:

11.1.1 The carrying amount of the item of property, plant and equipment will be reduced to the carrying amount, and

11.1.2 The amount of the reduction will immediately be recognized as an expense in the income statement.

### *Subsequent increase in recoverable amount*

11.2. The impairment or prior write-down of an asset will only be written back when:

11.2.1. The circumstances and events that led to the write-down cease to exist, and

11.2.2. There is persuasive evidence that the new circumstances and events will persist for the foreseeable future, and will be limited to

11.2.3. The item of property, plant and equipment's original carrying amount prior to the impairment or write-up of the carrying value.

11.3. The amount written back should immediately be recognized as an income in the income statement.

## **12 MAINTENANCE OF ASSETS**

12.1 Every Functional Head shall be directly responsible for ensuring that all assets (other than infrastructure assets) are properly maintained and in a manner, which will ensure that such assets attain their useful operating lives.

## **13 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

13.1 When an item of property plant and equipment is disposed the asset will be removed from the balance sheet.

13.2 Profit and losses from the disposal of an item of property, plant and equipment will be calculated as the actual net disposal proceeds and the carrying amount of the assets on disposal date.

13.3 The following procedures must be followed when an item of property, plant and equipment, is sold complete a pre-numbered disposal form (obtained from the Chief Financial Officer) in duplicate, stating the following details regarding the asset being sold:

- A. The asset number attached to the asset,
- B. The description of the asset,
- C. The physical location of the asset,
- D. The cost centre under which the asset was utilized,
- E. The name of the department selling the asset,
- F. A short reason why the asset is being sold,
- G. The purchase price and purchase date of the asset,
- H. The book value of the asset,
- I. The selling price of the asset,
- J. The date when the asset was sold,



K. Approved and dated by the relevant Head of Department.

13.4 Distribute the original disposal form to the Fixed Asset Clerk in the Finance Department once the disposal list is approved by Council.

13.5 The finance department must compile a summary of the assets being sold with the following detail:

- a) The asset number,
- b) The asset description,
- c) The purchase date of the asset,
- d) The book value of the asset, and
- e) The reason why the asset is being sold.

13.6 Council must approve this summary of the assets, before it is sold on public auction.

13.7 The disposing of assets must be done according to the regulations regarding the calling of tenders which stipulates that the municipality may dispose fixed assets.

13.8 At a public auction of which notice has been published in the press,

13.9 Commonly sold to the public at a charge fixed by law or by resolution of the municipality,

13.10 At a uniform price or tariff fixed by law or by resolution of the municipality,

13.11 Which have previously been offered for sale at a public auction or in respect of which tenders have previously been invited but which could not be disposed of,

13.12. The value of which, as assessed by the municipality, does not exceed four thousand rands, or

13.13. Where the sale of such goods or materials is so urgent that it would not be in the interest of the municipality to invite tenders.

## 14 SCRAPPING AND RETIREMENT OF PROPERTY, PLANT AND EQUIPMENT

- 14.1. Property, plant and equipment will be removed from the balance sheet when:
- a) An item of property, plant and equipment is damaged beyond repair, or
  - b) For any other reason the item of property, plant and equipment was written off by Council.
- 14.2. Losses arising from the scrapping or retirement of an item of property, plant and equipment will be recognized as an expense in the income statement
- 14.3. These losses are calculated as the difference between the net proceeds for the scrapped or retired asset and the carrying amount of the asset on the date of scrapping or disposal.
- 14.4. When an item of property, plant and equipment is withdrawn from use and is to be disposed in the future, the accounting treatment will be as followed:
- a) The asset should be written down to the lower of its carrying amount or its realizable value, and
  - b) This amount of the write-down will be recognized as an expense in the income statement.
- 14.5. The following procedures must be followed when an item of property, plant and equipment is scrapped or retired:
- a) Complete a pre-numbered scrapping/retirement form (obtained from the Financial Manager) in duplicate, stating the following details regarding the scrapping or retirement:
  - b) The asset number attached to the asset,
  - c) The description of the asset,
  - d) The physical location of the asset,
  - e) The cost centre under which the asset was utilized,
  - f) The name of the department selling the asset,
  - g) A short reason why the asset is being scrapped or retired,
  - h) The purchase price and purchase date of the asset,
  - i) The book value of the asset,
  - j) The estimated scrap value of the asset,

- k) The date when the asset was scrapped or retired,
  - l) Approved and dated by the relevant Head of Department.
- 14.6. Submit the original scrapping/retirement form to the Fixed Asset Clerk in the Finance department for their records of assets to be updated once Council approves the scrapping list.
- 14.7. The finance department must compile a summary of the assets being scrapped or retired with the following detail:
- a) The asset number
  - b) The asset description,
  - c) The purchase date of the asset,
  - d) The book value of the asset,
  - e) The estimated scrap value, and
  - f) The reason why the asset is scrapped or retired.
- 14.8. When the total carrying amount of the assets to be scrapped or retired is over R 20 000 it must be approved by the Council, before it is scrapped or retired.
- 14.9. When the total carrying amount of the assets to be scrapped or retired is R20 000 or less it must be approved by the Municipal Manager and the Chief Financial Officer, before it is scrapped or retired.
- 14.10. The disposal of assets will take place on the last working day of June each year.
- 14.11. All departments must notify finance of the assets to be disposed or scrapped before the last working day of May each year.

## **15 CONTROL AND MANAGEMENT OF PROPERTY, PLANT AND EQUIPMENT**

- 15.1. All items of property, plant and equipment must be properly insured against theft and damage.
- 15.2. All items of property, plant and equipment must be properly safeguarded by keeping it in a safe place when it is not in use.
- 15.3. All assets must be clearly marked with a permanent asset number for identification purposes. These unique numbers must also be captured onto the fixed asset register.

- 15.4. The marking process of new items of property, plant and equipment will be done once a month after the suppliers of the new assets is paid.
- 15.5. Each Head of Department is responsible for the items of property, plant and equipment in his/her department and these items will be controlled by way of inventory sheets.
- 15.6. These asset inventory sheets must be updated on a monthly basis with any disposals, additions or scrapings and must be reconciled to the fixed asset register twice per financial year.
- 15.7. The asset register will at least contain the following information:
- a) A unique asset number or registration number or title deed number in respect of property,
  - b) The asset category and asset type,
  - c) An asset description,
  - d) The date of acquisition and cheque number, and/or the date when the asset is disposed of or scrapped,
  - e) The location of the asset,
  - f) The cost price of the asset or the selling price in respect of assets sold,
  - g) The depreciation rate,
  - h) The depreciation for the current year,
  - i) The accumulated depreciation,
  - j) The profit or loss on disposal or scrapping of assets,
  - k) The book value of the asset,
  - l) The source of finance, and
  - m) The replacement value.
- 15.8. The asset register must be updated monthly with any additions, disposals and scrapings, before the depreciation run for the month can occur.
- 15.9. The Asset Manager or his/her delegated Official will ensure that the fixed asset register and general ledger control accounts are reconciled on a monthly basis. The reconciliation must be done by asset group and must be performed on a monthly basis.
- 15.10. The Chief Finance Officer will ensure the correctness of the reconciliation as mentioned above. He must sign the reconciliation's as proof of the verification function performed.
- 15.11. Assets must be disclosed in the municipalities financial statements according to GRAP or any other accounting practice that have an effect on Local Councils.

## 16 PHYSICAL VERIFICATION OF PROPERTY, PLANT AND EQUIPMENT

- 16.1. All items of property, plant and equipment must be physically verified in detail at least once per financial year with spot checks being performed during the year.
- 16.2. After the physical verification process the following items of property, plant and equipment will be identified:
- a) Items of property, plant and equipment that could not be verified
  - b) Items of property, plant and equipment that were capitalised and added to the fixed asset register, but the unique asset number could not be found.
  - c) New items of property, plant and equipment that were not numbered and added to the asset register yet, and
  - d) Damaged items of property, plant and equipment that should be written off.
  - e) When the physical verification process is completed and the issues above are cleared, new lists of property, plant and equipment, per location and department must be handed out to the relevant Head of Departments for control purposes.
  - f) Items of property, plant and equipment that could not be found
- 16.3. These items of property, plant and equipment must be summarised per location and department.
- 16.4. These summaries must then be circulated to the relevant Head of Departments for confirmation and written explanations.
- 16.5. If the assets could not be found and these assets were not sold an Asset Scraping Form must be completed as described above.
- 16.6. The fixed asset register and the general ledger must be updated with any items of property, plant and equipment that could not be found.
- 16.7. Items of property, plant and equipment which could not be identified due to a lack of a unique asset number
- 16.8. Assets in the asset register that is not cleared yet must be reconciled to:
- a) Physical assets identified that meets the description and

location as indicated in the asset register, and  
b) Which had an estimated cost price of more than R2 500.00?

- 16.9. When an asset is positively identified, the asset must be clearly numbered with the relevant unique asset number and captured in the asset register.
- 16.10. If the asset number could still not be traced in the asset register, a new number must be allocated to the asset.
- 16.11. A fair value and useful life must be adopted for these assets and must be captured onto the fixed asset register and general ledger.

## **17 NEW ITEMS OF PROPERTY, PLANT AND EQUIPMENT**

- 17.1. New items of property, plant and equipment acquired must first be captured in the fixed asset register before asset numbers are allocated to the assets.
- 17.2. When updating the fixed asset register with new items of property, plant and equipment the cost price must be obtained from the supporting documentation, for example invoices. VAT must be accounted for correctly.
- 17.3. A unique asset number must be allocated to the asset. This number must be captured in the asset register as well as the list of new items, should the number not yet be fixed onto the relevant asset and captured in the fixed asset register.
- 17.4. A list of these new items of property, plant and equipment by location must be used during the physical verification process to identify any new assets that still need to be numbered.
- 17.5. The new items of property, plant and equipment must then be permanently numbered with the same number as indicated on the list of new assets.

## **18 DAMAGED ITEMS OF PROPERTY, PLANT AND EQUIPMENT IDENTIFIED**

- 18.1. When damaged items of property, plant and equipment are identified during the physical verification process, the condition of these items must be discussed with the Head of Department.

18.2. When the items identified are damaged beyond repair and can no longer be used, the following procedures must be followed:

18.2.1. The assets must be listed by the physical verification team, and

18.2.2. A request for Scrapping/Retirement Asset Form must be completed by the Head of Department that clearly indicates the reasons for the asset being damaged.

18.3. Where these items of property, plant and equipment can still be utilised the physical verification team together with the Head of Department must assess such asset's future useful life.

18.4. If it is found that due to the damage to these assets, the future useful lives have decreased and are shorter than their current estimated useful lives, the current and the future depreciation charge will be adjusted accordingly.

18.5. The fixed asset register and general ledger must be updated for all approved Scrapping/Retirement Asset Forms.

## **19 ASSETS HELD UNDER FINANCE LEASES**

19.1. Assets held under finance leases will be accounted for as followed:

- a) The leased assets will be capitalised in the financial statements of the lessees at the amount stated in the lease agreement, and
- b) The asset will be depreciated over the useful life of the asset to the lessee, unless
- c) There is no certainty that the lessee will obtain ownership by the end of the lease term whereby the leased asset will then be depreciated over the shorter of the lease term or its useful life.

## **20 RESEARCH AND DEVELOPMENT COST**

20.1. Research costs will not be recognised as an asset but will be recognised as an expense in the period in which it is incurred.

20.2. Development costs of a project will be recognised as an expense in the period in which it is incurred, unless all of the following criteria is met:

- a) The project or process is clearly defined and the costs attributable to the product or process can be separately identified and are reliably measured.
- b) The technical feasibility of the product or process can be demonstrated.
- c) The municipality intends to produce and market or use the product or process.
- d) The existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the municipality can be demonstrated.
- e) Adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

20.3 Development cost initially recognised as an expense will not be recognised as an asset in a subsequent period.

20.4 Development cost recognised, as an asset will not exceed the amount that Council is probable to recover from related future economic benefit or potential service provision, after deducting the following costs:

- a) Further development costs,
- b) Related production or service delivery costs, and
- c) Selling and administrative costs directly incurred in marketing the product.

## **21 INVESTMENT PROPERTY**

21.1. An item shall be recognised as investment property if it meets the definition.

21.2. Investment property is recorded at cost.

21.3. Disclosable value measured at recognition:

- a) initially at acquisition cost plus transaction cost, or nominal value
- b) Where acquired at no cost or nominal value, fair value at acquisition is deemed to be cost for disclosure;
- c) if held under a lease and classified as Investment Property, is the lower of fair value and the present



value of the minimum lease payments

21.4. Cost value is determined according to the requirements of the GRAP standard on Investment Property.

21.5. Assets classified as Investment Property shall be re-defined once such assets usage changes

## 22 USEFUL LIFE OF ASSETS

<u>infrastructure</u>	<u>Asset</u>	<u>Community assets:</u>	<u>Asset</u>
<b><u>assets:Electricity:</u></b>	<b><u>life</u></b>	<b>Buildings</b>	<b><u>life</u></b>
Power stations	25 years	<b>(continue):</b>	25 years
Cooling towers	25 years	Libraries	25 years
Transfer kiosksMeters	25 years	Museums/Art galleriesParks	25 years
Load control equipment	20 years	Public conveniences/bathhousesRecreation centers	25 years
Switchgear equipment	20 years	Stadiums	25 years
Supply/reticulation Mains	20 years	Zoos	20 years
<b>Roads:</b>	15 years	<b>Gas:</b>	20 years
Motorways	12 months	Meter s	20 years
High Mast	15 years	Mains	20 years
Traffic islands	15 years	Storage tanks	20 years
Traffic lights	15 years	Supply/reticulat ion	20 years
Street lighting	25 years	<b>Sewerage:</b>	20 years
Overhead bridges Storm water drains	15 years	Sewers	15 years
Bridges, subway & culvertsCar parks	15 years	Outfall sewers	15 years
Bus terminals	25 years	Purification works	20 years
<b><u>Community</u></b>	15 years	Sewerage pumps Sludge machines	20 years
<b><u>assets:Land</u></b>	20 years	<b>Pedestrian</b>	20 years
	Indefinite	<b>malls:</b> Footways	20 years
	25 years	Kerbing	
		Paving	
		<b>Airports:</b>	

<b>Buildings:</b>			
Ambulance stations	20 years	Aprons	
Aquariums	25 years	Runways	
Beach developments	25 years		
Care centers	25 years		

Cemeteries	25 years	Taxiways	20 years
Civic theatres	25 years	Airport/Radio	20 years
Clinics/Hospitals	25 years	beacons	
Community centers	25 years		
Fire station	25 years		
Game reserves/Rest camps	25 years		
Indoor sports			

<b><u>Recreational assets:</u></b> <b><u>Facilities:</u></b>	<b><u>Asset life</u></b>	<b><u>Other assets (continue):</u></b> <b><u>Buildings</u></b>	<b><u>Asset life</u></b>
Bowling greens	20 years	<b>(continue):</b> Office buildings	25 years
Tennis courts	20 years	Old age homes	25 years
Swimming pool	20 years	Quarries	25 years
Golf courses	20 years	Tip sites	25 years
Jukskei pitches	20 years	Training centers	25 years
Outdoor sport facilities	20 years	Transport facilities	3 to 5 years
Organ & Case	20 years	Workshop/depo	
Lakes and dams	3 years	ts <b>Office</b>	3 years
Fountains	5 years	<b>equipment:</b>	3 years
Floodlighting	5 years	Computer hardware	5 years
<b>Security measures:</b>	15 years		5 years
Fencing	25 years		7 years
Security	25 years	Computer software	7 years
		Office	7 years

<p>systems  Access  control <b>Water:</b>  Meter  s  Mains  Rights  Supply/reticulation  Reservoirs &amp; Tanks</p>	<p>20 years</p>	<p>machines Air  conditioners  <b>Furniture and fittings:</b>  Chairs  Tables/desks  Cabinets/cupboards  ards  Miscellaneous  <b>Bins and containers:</b></p>	<p>7 years</p>
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	20 years	Household refuse	
<b><u>Other assets:</u></b>	25 years	binsBulk containers	5
<b>Buildings:</b>	25 years		year
Abattoirs	25 years	<b>Emergency equipment:</b>	s10
Asphalt plant	25 years	Ambulanc	years
Cable	25 years	esFire	
stations	25 years	hoses	
Caravan	25 years	Emergency lights	5 years
parks	25 years		5 years
Cinemas	25 years	<b>Motor vehicles:</b>	5 years
Compacting	25 years	Fire engines	
stations Hotels –	25 years	Buses	
Public/TouristHostels	25 years	Passenger	20 years
– Workers Housing	25 years	vehiclesMotor	8 years
schemes Kilns	25 years	cycles	8 years
Laboratories	25 years	Trucks/bakkies	3 years
Market			8 years
Stalls			
Nurseries			

<b><u>Other assets (continue):</u></b>	<b><u>Asset life</u></b>	<b><u>Infrastructure roads:</u></b>	<b><u>Asset life</u></b>
<b>Aircraft:</b>	25 years	Prefabricated Culverts	15 years
<b>Watercraft:</b>	25 year	Concrete kerbing, Channeling, Chutes andDownpipes	40 years
<b>Plant and equipment:</b>			
Grader	8 years	Mass	80 years
s	8 years	Earthworks	15 years
Tractors	10 years	Pavement	15 years
Mechanical horses	5 years	layersPrime	15 years
Farm equipment	2 years	coat Double	15 years
Lawnmowers	5 years	Seals	25 years
Compressors	5 years	Pitching, Stonework and	25 years
Laboratory	5 years	ProtectionGabions	15 years
equipmentRadio	5 years	Guardrails	12 months
equipment Firearms	5 years	Road signs	15 years
Telecommunication	5 years	Road	15 years
Equipment General		markings	15 years
(LooseTools)	10 years	Concrete Block Paving For	15 years
Cable cars	10 years	RoadsConcrete for Structures	
Irrigation	10 years		
system	10 years	Asphalt surfacing	
Cremators	10 years	Structural Steelworks	
Lathes	10 years		
Milling	10 years		
equipment	8 years		
Conveyors	10 years		
Feeders			
Tippers			
Pulverising mills			