



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

POLICY: ASSET MANAGEMENT

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Budget and Treasury Office

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PREAMBLE

This policy is aimed at assisting management and employees of the municipal entity to implement and maintain consistent, effective and efficient asset management principles.

1 INTERPRETATION OF THE POLICY

Except to the extent to which the context may otherwise require, this Policy shall be construed in accordance with the following provisions of this sub-paragraph.

1.1 Words importing the singular also include the plural, and *vice versa*, where the context requires.

1.2 The following words shall have the meanings hereby assigned to them –

“**COMPANIES ACT**” shall mean the Companies Act, 2008 (Act No 71 of 2008), as amended from time to time;

“**HGDA**” means the Harry Gwala Development Agency (Pty) Ltd, a company duly incorporated in terms of the laws of the Republic of South Africa with registration number: 2011/001221/07, in which the Harry Gwala District Municipality, as Parent Municipality, holds a sole interest.

“**HGDM**” means the Harry Gwala District Municipality, a Category C Municipality established in terms of Section 155(1)(c) of the Constitution of the Republic of South Africa, 1996 and in terms of Section 12(1) of the Municipal Structures Act, 32 of 2000 (as amended) and its successors in title. Includes duly authorised officials of the Municipality who have been delegated any powers, functions and duties necessary to give effect to this Policy and decide upon and administer the matters referred to herein.

“**COUNCIL**” refers to the Municipal Council of the Harry Gwala District Municipality, as defined in Section 157 (1) of the Constitution of the Republic of South Africa, Act 108 of 1996, as amended from time to time;

“**CEO**” shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

“**MEETING**” shall mean any meeting of the board or any board sub-committees (portfolio committee) as well as any other General meeting meeting of the entity including meetings of Council, irrespective of the duration of such meeting.

“**MFMA**” shall mean the Municipal Finance Management Act 56 of 2003, as may be amended from time to time

“**MSA**” shall mean the Municipal Systems Act 32 of 2000, as amended from time to time

“**NON-EXECUTIVE DIRECTOR**” shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000, and

“**SHAREHOLDER**” shall mean the Harry Gwala District Municipality.

“COST” The purchase price of the asset plus the cost of activities (cash or equivalent) necessarily incurred to bring the asset to the condition and location essential for its intended use (e.g. purchase price plus delivery and installation).

“DEPRECIATION” The systematic allocation of the depreciable amount of an asset over its useful life.

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

“FAIR VALUE” The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

“FINANCE LEASE” a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset from the lessor to the lessee.

“FUTURE ECONOMIC BENEFIT” The potential to contribute directly or indirectly to the flow of cash or cash equivalents to the entity, or in providing a service to another party.

“IMPAIRMENT LOSS” An impairment loss is the amount by which the carrying value of an asset exceeds the recoverable amount.

“INFRASTRUCTURE ASSETS” Assets that are part of a network of similar assets. Examples are roads, water reticulation schemes sewerage purification works.

“INTANGIBLE ASSET” 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, for example computer software and rights.

“PROPERTY, PLANT AND EQUIPMENT (PPE)” Means tangible assets that:

- are held by a municipal entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- are expected to have a useful life extending for more than
- one financial year.

“RESIDUAL VALUE” The net amount that the municipal entity expects to obtain for an asset at the end of its useful life after deducting the expected cost of the disposal.

“RECOVERABLE AMOUNT” Recoverable value is the higher of the asset’s net selling price and its value in use.

“SERVICE POTENTIAL” The capacity of an asset, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipal entity.

“STRAIGHT-LINE METHOD OF DEPRECIATION” Constant depreciation charge over the useful life of the capital asset calculated on its cost.

1. OBJECTIVE

The objective of this policy is:

- To safeguard the fixed assets of the municipal entity and to ensure the effective use of existing resources.
- To emphasise a culture of accountability towards the municipal entity's fixed assets.
- To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation.
- To provide a formal set of financial procedures that can be implemented to ensure that the municipal entity's financial asset policies are in compliance with the Municipal Finance Management Act 2003, Act 56 of 2003, herein referred to as the MFMA.

2. SCOPE

This policy applies to all Property, Plant and Equipment including, but not limited to:

- Infrastructure assets
- Community assets
- Intangible assets
- Investment assets

3. STATUTORY AND REGULATORY FRAMEWORK

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Municipal Finance Management Act No 56 of 2003
- Local Government: Municipal Asset Transfer Regulations, 2008

Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 1 Presentation of Financial Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 16 Investment Property
- GRAP 17 Property, plant or equipment
- GRAP 21 Impairment of non-cash generating assets
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Discontinued Operations
- iGRAP 18 Recognition and Derecognition of Land

4.3 Role of senior managers

4.3.1 The senior managers must ensure that:

- Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility.
- The entity's resources assigned to them are utilized effectively, efficiently, economically and transparently.
- Any unauthorized, irregular or fruitless or wasteful utilization and losses resulting from criminal or negligent conduct are prevented.
- Their management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- They are able to justify that their plans, budgets, purchasing, maintenance and disposal decisions for assets optimally achieve the entity's strategic objectives.

4.3.2 The senior managers may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring that these activities are performed. Each senior manager should report to the Chief Executive Officer on issues that will significantly impede the item of asset capabilities to provide the required level of service or economic benefit.

4.3.3 The responsibility for the physical control of assets rests with the relevant senior manager to whom the responsibility was delegated to in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003.

4.3.4 Each senior manager shall ensure that assets entrusted to him / her are adequately maintained, properly used and insured and ensure that section 78 of the Municipal Finance Management Act, No 56 of 2003, is adhered to.

4.3.5 No amendments, deletions or additions to the asset register shall be made other than by the Asset Manager or by an official acting as the Asset Manager and must be authorized by the Chief Financial Officer.

4.3.6 Upon the resignation / retirement of an employee, the applicable senior manager must inform the Chief Financial Officer and Corporate Service Department in writing that the asset items entrusted to that employee to execute his / her duties are in good order and returned. When necessary the applicable senior manager must inform the Corporate Services Department of any losses and the value of such losses. The ultimate responsibility of any losses lies with the relevant senior manager.

4.4 Role of financial accountant

4.4.1 The Financial Accountant shall ensure that complete records of asset items are kept, verified and balanced regularly.

4.4.2 Shall ensure that all movable assets are properly tagged and accounted for.

4.4.3 Shall ensure that a verification report is compiled after completion of movable asset verification process. The report shall:

- Reflect a complete list of all assets found during the verification.

5.2 Funding

The acquisition of assets will not be funded over a period longer than the useful life of that asset. As stated in 4(1)(b) above for the new asset acquisitions the funding must be approved and available for use to acquire the asset.

5.3 Disposal of assets / alienation of fixed assets

5.3.1 Assets must be disposed in such a way that:

- In financial terms, such disposal is always to the benefit of the municipal entity.
- During the consideration and acceptance of tenders / quotations or any bid for such assets, the image of the municipal entity is not impaired.
- Assets must be disposed of as stipulated in the approved Supply Chain Management Policy of the municipal entity.
- Authorisation for disposal should be as per the Directorates' delegation of authority.
- ICT will do an analyses to identify ICT equipment that needs to be disposed.

5.3.2 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 Municipal Entity's Supply Chain Management Policy.

5.3.3 Every head of department shall report in writing to the Chief Financial Officer on 31 October 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 board or the Accounting Officer of the municipal entity, as the case may be, recommending the process of alienation to be adopted.

5.3.4 The board shall delegate to the chief executive officer the authority to approve the alienation of any fixed asset with a carrying value less than R5 000 (five thousand rand).

5.3.5 The board shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 98 of the Municipal Finance Management Act, 2003 which states:

- A municipal entity may not alienate any capital asset required to provide a minimum level of basic municipal services.
- A municipal entity may alienate any other capital asset, but provided:
 - (a) The board, in a meeting open to the public, has first determine that the asset is not required to provide a minimum level of basic municipal services, and
 - (b) The board has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset."Once the fixed assets are alienated, the Chief Financial Officer shall delete the relevant records from the fixed asset register.

5.3.6 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,

- 6.1.4 upon the resignation of an official, an asset clearance form must be completed by a resigning official and be forwarded to finance department for further attention.
- 6.1.5 All assets should be kept in a secure location, maintained regularly, insured against theft or destruction, utilized economically and efficiently.

6.2 Asset identification

An asset identification system is a means to uniquely identify each asset in the municipal entity in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location.

- 6.2.1 The accounting officer manager shall ensure that the municipal entity maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.
- 6.2.2 The identification system shall be determined by the accounting officer, 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 municipal entity's audit report(s), and shall be decided upon within the context of the municipal entity's budgetary and human resources.
- 6.2.3 Every head of department shall ensure that the asset identification system approved for the municipal entity is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

6.3 Policy

An asset identification system shall be operated and applied in conjunction with an Asset Register. As far as practicable, every individual asset shall have a unique identification number.

6.4 Procedures and Rules

- 6.4.1 The Asset Management Unit shall develop and implement an asset identification system, while acting in consultation with the CFO.
- 6.4.2 Head of Department shall ensure that all the assets under them are correctly identified.
- 6.4.3 As far as practicable, all movable assets must be bar-coded or uniquely marked.
- 6.4.4 Immovable assets must be identified using naming and numbering conventions that enable easy location of the assets in the field.
- 6.4.5 GPS coordinates must be captured on the Asset Register for infrastructure assets and buildings where practicable.

6.5 Verification

- 6.5.1 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.

Financial Officer. The head of department should in writing request the replacement of the asset which can only be authorized, if sufficient provision for the replacement of the asset is on the capital budget, by the Chief Executive Officer after consultation with the Chief Financial Officer. If sufficient provision is not on the capital budget the asset can only be replaced if provision for the replacement is made on an Adjustments budget. In the case where an asset must be replaced as an emergency measure, the Board may authorise such expenditure, subject to compliance with Section 29 of the MFMA.

- 6.7.6 If the municipal entity or entity property is involved in an incident that may result in charges against the municipal entity. The municipal entity must be notified immediately and a senior manager or asset manager from the municipal entity must be present at the incident scene. The incident must be reported to the nearest SAPS within 48 hours. The incident must be reported to the municipal entity within 48 hours in writing and all supporting evidence must be attached. Late notification and lack of supporting evidence may jeopardise your claim.

6.8 Maintenance of assets

6.8.1 Maintenance Plans

- 6.8.1.1. Chief Financial Officer shall ensure that a maintenance plan in respect of every new infrastructure asset is promptly prepared and submitted to the Board of the municipal entity for approval.
- 6.8.1.2. If so directed by the Chief Executive Officer, the maintenance plan shall be submitted to the Board prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.
- 6.8.1.3. The head of department controlling or using the infrastructure asset in question, shall annually report to the Board, 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.

6.8.2 Deferred Maintenance

- 6.8.2.1. 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 board of the municipal entity has approved in order to redress such deferral of the maintenance requirements concerned.
- 6.8.2.2. 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.

6.8.3 General Maintenance of Fixed Assets

- 6.8.3.1 Every head of department shall be directly responsible for ensuring that all assets other than infrastructure assets which are dealt with in 5.6 (a) &

- 6.9.6 The Financial Accountant must ensure that reconciliations are performed on a monthly basis between the general ledger values and the asset values in the asset register and to be submitted to the Chief Financial Officer.
- 6.9.7 The Chief Financial Officer must check and authorize the reconciliations as correct.
- 6.9.8 Depreciation methods and rates used must be approved by the Chief Financial Officer.
- 6.9.9 The Financial Accountant should allocate depreciation rates and methods to each asset class, and ensure that depreciation calculations are correctly applied and posted in the general ledger.
- 6.9.10 No fixed asset shall be recorded at a nil carrying amount in the fixed asset register.

6.10 Classification of fixed assets

In compliance with the requirements of the National Treasury, the Chief Financial Officer of the municipal entity 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.

6.11 Classification types

6.11.1 Property, Plant and Equipment

- Land and buildings - Excluding buildings classified as investment assets, buildings classified as Heritage Assets and buildings utilised in contributing to the community's well-being (Clinics, libraries etc.)
- Infrastructure assets - Assets which are part of a network of similar assets. These assets usually display some or all of the following characteristics:
 - 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 subject to constraints on disposal.

6.11.2 Save for land buildings other assets shall be classified under the following headings:

- Computer equipment;
- Office equipment;
- Furniture and fittings;
- Plant and machinery;
- Infrastructure Assets;
- Motor Vehicles; and

6.11.3 Inventory

- Housing - rental stock or housing stock not held for capital gain.

6.11.4 Investment Property

- Investment assets -resources held for capital or operational gain.

6.11.5 Intangible Assets

- Licences

- property being constructed or developed on behalf of third parties. This property should be accounted for in terms of the GRAP 11 on Construction Contracts.
 - owner-occupied property should be accounted for in accordance with the GRAP 17 on Property, Plant and Equipment. This also includes, amongst others, property that is held for future use as owner-occupied property and owner-occupied property awaiting disposal accounted for in accordance with GRAP 100.
 - property that is being constructed or developed for future use as investment property. The GRAP 17 on Property, Plant and Equipment applies to the property until it is complete and ready to be used as investment property.
 - property that is leased to another municipal entity under a finance lease in accordance with GRAP 13.
 - property held to provide a social service and which also generates cash inflows, such as a Housing Board that holds 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; and
 - property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP 17 on Property, plant and equipment.
- 6.12.4 Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.
- 6.12.5 Investment assets shall not be depreciated but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the Statement of Financial Positions at such fair value. Adjustments to the previous year’s recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.
- 6.12.6 An expert valuer shall be engaged by the municipal entity to undertake such valuations.
- 6.12.7 If the board resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment asset.

6.13 Fixed assets treated as inventory

- 6.13.1 Any land or buildings owned or acquired by the municipal entity with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipal entity with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipal entity’s statement of position.

7.3.5 Capitalisation Criteria: Intangible Items

- The Municipal entity shall recognise an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.
- Intangible item dealing with research and development expenses shall not be recognised as a fixed asset, except that the Chief Financial Officer, acting in strict compliance with the criteria set out in GRAP 31 (dealing with research and development expenses) may recommend to the board that specific development costs be recognised as an asset.
- Intangible assets shall be recognised at cost and amortised over their useful lives.
- Intangible assets with an infinite useful life shall be tested for impairment annually.

7.4 Recognition of an asset

7.4.1 Fixed Assets

- 7.4.1.1 A fixed asset is an asset with a useful life of more than one year and is used in the business of the municipal entity. Characteristics of a depreciable fixed asset are the following:
- It is estimated that the asset will be used for more than one financial period;
 - It has a limited useful life;
 - It is used in a process of delivering services;
 - The resource should provide future economic benefits;
 - The future economic benefits should accrue to the municipal entity;
 - The event giving rise to the municipal entity's right to the recourse and control over the future economic benefits must already have occurred; and
 - It should be possible to determine the cost of the asset reliably.
- 7.4.1.2 A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipal entity for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).
- 7.4.1.3 A fixed asset is thus an asset, either movable or immovable, under the control of the municipal entity, and from which derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.
- 7.4.1.4 Complex fixed assets will be split into significant parts for recording and each component will be identified as a separately depreciable part to be treated as a separate capital asset for depreciation, recognition and de-recognition purposes. In the asset register, a component will be linked to a main asset. The key considerations in determining what should become a separately depreciable part (component) are:

- Any trade discount and rebates are to be deducted in arriving at the purchase price.
- 7.5.1 Contract costs
- Contract costs should comprise:
 - Costs that relate directly to the specific contract,
 - Costs that are attributable to contract activity in general and can be allocated to the contract, and
 - Such other costs are specifically chargeable to the customer under terms of the contract.
- 7.5.2 Examples of costs that relate directly to a specific contract include:
- Site labour costs, including site supervision,
 - Costs of materials used in construction
 - Depreciation of plant and equipment used on a contract,
 - Costs of moving plant, and equipment to and from the contract site,
 - Costs of hiring plant and equipment,
 - Costs of design and technical assistance that is directly related to the contract,
 - The estimated costs of rectification and guarantee work, including expected warranty costs, and
 - Claims from third parties.
- 7.5.3 Examples of costs that relate to the contract activity in general and can be allocated to specific contracts include:
- Insurance
 - Cost of design and technical assistance that are not directly related to a specific contract, and
 - Construction overheads.
- 7.5.4 Research costs
- Research costs should be recognized as an expense in the period in which they are incurred and should not be recognized as an asset. Examples of activities typically included in research are:
 - Activities aimed at obtaining new knowledge,
 - The search for applications of research findings or other knowledge,
 - The search for product or process alternatives, and
 - The formulation and design of possible new or improved product or process alternatives.
- 7.5.5 Development costs
- The development costs of a project should be recognized as an expense in the period in which they are incurred, unless all of the following criteria are met:
 - The product or process is clearly defined and the costs attributable to the product or process can be separately identified and reliable measured.
 - The technical feasibility of the produce and market or use the product or process.
 - 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 enterprise can be demonstrated.

- The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

7.6.2 Rate of Depreciation

- The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the municipal entity's fixed asset register. In determining such a useful life, the Chief Financial Officer shall adhere to the useful lives set out in Annexure A.
- In the case of a fixed asset which is not listed in this annexure, 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.

7.6.3 Method of Depreciation

Except in those cases specifically identified in 7.5 below, the Chief Financial Officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

The residual value and useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the changes shall be accounted for as a change in accounting estimate in accordance with GRAP 3.

7.6.4 Amendment of Asset Lives and Impairment of Fixed Assets

- 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 board of the municipal entity of such amendment.
- The Municipal entity shall assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the municipal entity shall estimate the recoverable service amount of the asset
- Irrespective of whether there is any indication of impairment, the municipal entity shall also test an intangible asset with an indefinite life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.
- In assessing whether there is any indication that an asset may be impaired the municipal entity shall consider as a minimum the following indications:

7.6.4.1 *External indicators*

- Cessation or near cessation of the demand or need for services provided by the asset

8.1.3 The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

8.1.4 Where the Chief Financial Officer decides to employ the sum-of-unit's method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the board of the municipal entity of the decision in question.

8.2 Carrying values of fixed assets

8.2.1 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 where applicable.

8.2.2 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.

8.3 Revaluation of fixed assets

8.3.1 Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life, however if the need for revaluation arises the it will be conducted at the discretion of the Accounting Officer:

8.3.2 The Chief Financial Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value as per the expert's valuations, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned.

8.3.3 The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued 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.

8.3.4 If the amount as per the expert 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 reducing the carrying value to the expert's value. A decrease up to the Historical Cost value will be treated as devaluation, with the decrease below being treated as impairment. The impairment loss will be debited against the Statement of Financial Performance whilst the devaluation will be debited against the Revaluation Reserve in the Statement of Changes in Net Asset.

8.3.5 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).

8.4 Useful life

8.4.1 The parameters set for the useful lives of assets are based on best practice as issued by National Treasury in the Local Government Asset Management Guideline.

Asset Description	EUL
Unpaved Roads	15
Pave Roads	10
Asphalt layer	20
Base Layer	50
Storm water drains	30
Car parks	20
Road signs	20
Storage Tanks	
JoJo Tanks	10
Steel Tanks	30
Concrete Reservoirs	50

ASSET DESCRIPTION	EUL
(Security measures)	
Access control systems	5
Security systems	5
Security fencing	
Diamond meshwire fence	10
Razor wire Fence	10
Wire Netting fence	10
Precast Palisade Fence	20
Steel Palisade Fence	20
Boundary Walls	20

Sum-of-units method of depreciation may be preferred.

9.2 Investment assets

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each municipal entity. However, the following will be among the most frequently encountered:

- Office parks (which have been developed by the
- Municipal entity itself or jointly between the
- Municipal entity and one or more other parties)

9.3 Other assets

The following is a list of other assets, again showing the estimated useful life in years in brackets:

*** Furniture and fittings**

Chairs	(7-10)
Tables and desks	(7-10)
Cabinets and cupboards	(7-10)

*** Emergency equipment**

Fire hoses	(5)
Other fire-fighting equipment	(15)
Emergency lights	(5)

*** Plant and equipment**

Graders	(10-15)
Tractors	(10-15)
Mechanical horses	(10-15)
Farm equipment	(5)
Brush Cutters	(3)
Lawn mowers	(5)
Compressors	(5)
Laboratory equipment	(5)
Radio equipment	(5)
Firearms	(5)
Telecommunication equipment	(5)
Cable cars	(15)
Irrigation systems	(15)

dismantling and removing the asset and restoring the site on which it is located, including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipal entity and the cost of the item can be measured reliably.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipal entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

Initial Measurement

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost

asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.

"Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The Municipal Entity intends to complete the intangible asset for use or sale;
- It is technically feasible to complete the intangible asset;
- The Municipal Entity has the resources to complete the project; and
- it is probable that the municipal entity will receive future economic benefits or service potential.
- The expenditure attributable to the intangible asset during its development can be reliably measured by the municipal entity."

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software 2-10

Each item of intangible asset is amortised separately. Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the municipal Entity for an indefinite period. The life of the servitude will remain in force as the Municipal entity exercises its rights under such servitudes. The amortisation period and

Where inventory is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

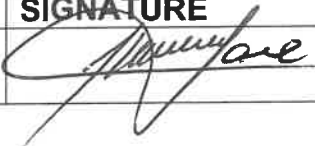
Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

11. COMMENCEMENT

This policy will commence on 1 July 2025, and must be reviewed annually together with the budget related policies.

APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
Mrs T.T. Thiyane-Magaqa		Acting Chief Executive Officer	22 May 2025