WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY

ASSET MANAGEMENT POLICY

2026-27

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1. PREAMBLE

The municipal manager as custodian of municipal funds and assets is responsible for the implementation of the asset management policy which regulates the acquisition, safeguarding, maintenance and disposal of all assets. Whereas the municipal council of Winnie Madikizela-Mandela Local Municipality wishes to adopt a policy to guide the municipal manager in the management of the municipality's assets as required by section 63 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003. And whereas these assets must be protected over their useful life and may be used in the production or supply of goods and basic services or for administrative purposes.

And whereas section 14 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a municipal council may not dispose of assets required to provide minimum services, and whereas the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has been issued.

Now therefore the municipal council of the Winnie Madikizela-Mandela Local Municipality adopts the following asset management policy:

2. DEFINITIONS

2.1. **Accounting Officer:** means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).

2.2. **Agricultural Produce:** means the harvested product of the municipality's biological assets.

2.3. **Biological Assets:** means living animals or plants.

2.4. **Asset:** means items of Biological Assets, Intangible Assets, Investment Property or Property, Plant or Equipment defined in this Policy.

2.5. **Carrying Amount:** means the amount at which an asset is recognised after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.

2.6. **Chief Financial Officer (CFO):** means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

2.7. **Component:** means a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts.

2.8. **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 recognised in accordance with the specific requirements of other Standards of GRAP.

2.9. **Critical Assets:** means assets identified as having a high risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected.

2.10. **Depreciable Amount:** means the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

2.11. **Depreciation:** means the systematic allocation of the depreciable amount of an asset over its useful life.

2.12. **Enhancement/Rehabilitation:** means an improvement or augmentation of an existing asset (including separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality.

2.13. **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.

2.14. **GAAP means:** standards of Generally Accepted Accounting Practice.

2.15. **GRAP means:** standards of Generally Recognised Accounting Practice.

2.16. **Heritage Assets:** means 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.

2.17. **Immovable Assets:** means any assets that are immovable, the immovable assets consist of depreciable assets (Infrastructure, Building and Community Assets) and assets with indefinite useful life (Land)

2.18. **Infrastructure Assets:** means any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

2.19. **Intangible Assets:** means identifiable non-monetary assets without physical substance.

2.20. **Inventory: means assets that are:-**

- **2.20.1.** in the form of materials or supplies to be consumed in the production process
- **2.20.2.** in the form of materials or supplies to be consumed or distributed in the rendering of services;
- **2.20.3.** held for sale or distribution in the ordinary course of operations; or
- **2.20.4.** in the process of production for sale or distribution.

2.21. **Investment Properties:** means properties (such as land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.

2.22. **Land and Buildings**: means are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude Investment properties and Land Inventories.

2.23. **MFMA**: means refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

2.24. **Other Assets:** means are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

2.25. **Property, Plant and Equipment (PPE):** means tangible assets that:-

2.25.1. Are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and

2.25.2. Are expected to be used during more than one period.

2.26. **Refurbishment/Maintenance:** means an asset will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved.

2.27. **Recoverable Amount:** means the higher of a cash-generating asset's net selling price and its value in use.

2.28. **Recoverable Service Amount:** means the higher of a non-cash generating asset's fair value less cost to sell and its value in use.

2.29. **Residual Value means:** the estimated amount that an entity 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.

2.30. **Useful Life:** means 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's accounting officer.

3. LEGAL FRAMEWORK

3.1. The Constitution of the Republic of South Africa, 1996

3.2. Local Government : Municipal Systems Act, 2000, (Act 32 of 2000)

3.3. Local Government : Municipal Finance Management Act, (Act 56 of 2003)

3.4. Generally Recognised Accounting Practice Standards.

4. OBJECTIVE OF THE POLICY

4.1. The objective of this Asset Management Policy is to ensure that the municipality:

- has consistent application of asset management principles over the asset life cycle;
- implements accrual accounting;
- complies with the MFMA and other related legislation;
- correctly accounts for Assets under the GRAP accounting framework
- safeguards and controls the assets of the municipality; and
- optimises asset usage;.

5. SCOPE OF THE POLICY

5.1. This policy shall apply to all assets acquired by the municipality through purchase, donation, and transfer from other spheres of government as well as assets that vested to the municipality due to compliance or non-compliance with any laws or by laws that are applicable in the republic of South Africa.

5.2. This policy shall not apply to those assets that are used by the municipality whereas they are not in the control of the municipality and the risks and rewards derived from such assets do not flow to the municipality.

6. ASSET RECOGNITION

6.1. General

6.1.1. When accounting for assets, the municipality should follow the various standards of GRAP relating to the assets. An item is recognised in the statement of financial position as an asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Assets are classified into the following categories for financial reporting purposes:

a) Property, Plant and Equipment (GRAP 17) includes the following;
   - Land and Buildings (land and buildings not held as Investment)
   - Infrastructure Assets (immovable assets that are used to provide basic services)
   - Housing Assets (rental stock or housing stock not held for capital gain)
   - Other Assets (ordinary operational resources)

b) Intangible Assets (GRAP 31) as defined in paragraph 2 above

c) Investment Property (GRAP 16) as defined in paragraph 2 above

d) Biological Assets (GRAP 101) as defined in paragraph 2 above

e) Heritage Assets (GRAP 103) as defined in paragraph 2 above

6.1.2. When accounting for Current Assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

a) Inventories (GRAP 12) as defined in paragraph 2 above

6.1.3. Further asset classification has been defined in GRAP. The classifications used for infrastructure are limited and do not represent all asset types. However, these /classifications are used for financial reporting consistency and should be used. To facilitate the practical management of infrastructure assets and Asset Register data, infrastructure assets have been further classified. The recommended classifications for all assets are provided in Appendix B.

6.2. Policy

6.2.1. The asset classification specified by GRAP shall be adhered to as a minimum standard. The extended asset classification specified in Appendix B shall be adopted.

6.3. Procedures and Rules

6.3.1. The Budget and Treasury Standing Committee shall ensure that the classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.

6.3.2. The Budget and Treasury Standing Committee shall inform Senior Managers of the classification requirements.

6.3.3. Senior Managers shall ensure that all fixed assets under their control are classified correctly.

7. ASSET IDENTIFICATION

7.1. General

7.1.1. An asset identification system is a means to uniquely identify each asset in the municipality 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.

7.2. Policy

7.2.1. 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.

7.3. Procedures and Rules

7.3.1. The Asset Management Committee shall develop and implement an asset identification system, while acting in consultation with Senior Managers.

7.3.2. Senior Managers shall ensure that all the assets under their control are correctly identified.

7.3.3. As far as practicable, all movable assets must be bar-coded or uniquely marked.

7.3.4. Immovable assets must be identified using naming and numbering conventions that enable easy location of the assets in the field.

7.3.5. GPS coordinates must be captured on the Asset Register for infrastructure assets and buildings where practicable. The Head: Information Technology will update the GIS and ensure that the GPS coordinates on the Asset Register and the GIS are reconciled at least once per year after the annual physical asset verification.

8. ASSET REGISTER

8.1. General

8.1.1. An Asset Register is a database of information related to all the assets under the control of the municipality. The Asset Register consists of an inventory of all the assets, with each asset having a unique identifying number. Data related to each asset should be able to be stored in the Asset Register. The data requirements for the Asset Register are as follows:

Data type	Land	Movable	Infrastructure/ Buildings
Identification			
• Unique identification number or asset mark	✓	✓	✓
• Unique name	✓	✓	✓
• National Treasury Classification	✓	✓	✓
• Internal Classification	✓	✓	✓
• Descriptive data (make, model, etc.)	✓	✓	✓
• Erf/Registration	✓	✓	✓
• Title deed reference	✓		✓
• GPS Coordinates	✓	✓	✓
• SC Codes	✓		
• Line/As-built diagrams			✓
Accountability			
• Department	✓	✓	✓
• Insurance reference		✓	✓
Performance			
• Age		✓	✓
• Condition		✓	✓
• Remaining Useful life		✓	✓
• Expected Useful Life		✓	✓
• Technical Asset Residual Value			✓
• Criticality		✓	✓
Accounting			
• Historic cost	✓	✓	✓
• Take on value	✓	✓	✓
• Take on date	✓	✓	✓

Data type	Land	Movable	Infrastructure/ Buildings
• Revalued amount	✓	✓	✓
• Valuation Difference (for purposes of Valuation Reserve and depreciation)	✓	✓	✓
• Depreciation method	✓	✓	✓
• Depreciation portion that should be transferred from Revaluation reserve to accumulated depreciation (where assets were revalued)	✓	✓	✓
• Depreciation charge for the current financial year	✓	✓	✓
• Depreciation charge for ensuing year (for purposes on current portion)	✓	✓	✓
• Impairment losses in the current year	✓	✓	✓
• Accumulated depreciation	✓	✓	✓
• Carrying value	✓	✓	✓
• Residual value		✓	✓
• Source of financing	✓	✓	✓

Assets remain in the Asset Register for as long as they are in physical existence or until being written off. The fact that an asset has been fully depreciated is not in itself a reason for writing-off such an asset.

8.2. Policy

8.2.1. An Asset Register shall be maintained for all assets. In some cases, such as Investment Properties and Intangible Assets, separate Asset Registers will have to be maintained. The format of the register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets. The Asset Register should be continuously updated and asset records should be reconciled to the general ledger on an annual basis.

8.3. Procedures and Rules

8.3.1. The CFO must define the format of the Asset Register in consultation with the Senior Managers and must ensure that the Asset Register format complies with legislative requirements.

8.3.2. The Asset Management Committee or the CFO must ensure that a defined process and forms exist to update and maintain the Asset Register.

8.3.3. The Senior Managers must provide the CFO with the information required to compile and maintain the Asset Register.

9. INITIAL MEASUREMENT

9.1. General

9.1.1. An asset should be recognised as an asset in the financial and asset records when:

a) It is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;

b) The cost or fair value of the item to the municipality can be measured reliably;

c) The item is expected to be used during more than one financial year.

9.1.2. Spare parts and servicing equipment are usually carried as inventory in terms of the Standard of GRAP on Inventories and recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the 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.

9.1.3. Further guidance for the recognition of assets is provided below:

9.2. Calculation of initial cost price

9.2.1. Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the municipality is not allowed to claim input VAT paid on purchase of such assets. In such an instance, the municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:

9.2.2. Costs of employee benefits (as defined in the applicable standard on Employee Benefits) arising directly from the construction or acquisition of the item of the Asset

9.2.3. The cost of site preparation;

9.2.4. Initial delivery and handling costs;

9.2.5. Installation costs;

9.2.6. Professional fees such as for architects and engineers;

9.2.7. The estimated cost of dismantling and removing the asset and restoring the site;

9.2.8. Interest costs when incurred on a qualifying asset in terms of GRAP 5.

9.2.9. When payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as an interest expense over the period of credit.

9.3. Subsequent Expenses

9.3.1. Only expenses incurred on the enhancement of an 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 an asset shall be capitalised.

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

9.4. Leased Assets

9.4.1. A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases:

9.4.2. A Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as an asset.

9.4.3. Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

9.5. Policy

9.5.1. All assets shall be correctly recognised as assets and capitalised at the correct value.

9.6. Procedures and Rules

9.6.1. Senior Managers shall ensure that all leased assets under their control are correctly accounted for and recognised as assets.

9.6.2. The CFO must keep a lease register with all the information that is necessary for reporting purposes, for example, opening balance, acquisitions, disposals, transfers, depreciation, accumulated depreciation, etc.

9.6.3. Senior Managers shall keep a timesheet system to capture professional time spent by internal staff dedicated for a fixed period of time to the production process of infrastructure projects. The time shall be priced at recognised professional fee scales and should be included in the capitalisation cost of the asset. Senior Managers may delegate these responsibilities to a person at an appropriate supervisory level.

10. SUBSEQUENT MEASUREMENT

10.1. General

10.1.1. After initial recognition of Property, Plant and Equipment, the municipality values its assets using the cost model, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model.

10.1.2. When an item of PPE is revalued, the entire class of property to which that asset belongs, should be revalued.

10.1.3. When an asset's carrying amount is increased as a result of the revaluation, the increase should be credited to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

10.1.4. When an asset's carrying amount is decreased as a result of devaluation, the decrease should be recognised as an expense in the annual financial statements. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

10.2. Procedures and Rules

10.2.1. The CFO shall ensure that all Property, Plant and Equipment are correctly recorded in the Asset Register and revaluated (if applicable) in terms of the municipality's policies.

11. ASSET ACQUISITION

11.1. Acquisition of Assets

11.1.1. Should the municipality decide to acquire an asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset:

a) The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;

b) The asset fits the definition of an asset (as defined in GRAP 16, GRAP 17, GRAP 101, GRAP 102 and GRAP 103)

c) The asset has been budgeted for;

d) The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;

e) The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;

f) The asset is appropriate to the task or requirement and is cost-effective over the life of the asset.

g) The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources; and

h) Space and other necessary facilities to accommodate the asset are in place;

11.2. Creation of New Immovable Assets

11.2.1. The cost of all new Immovable assets (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into its significant components, each of which have an appropriate useful life.

11.2.2. Work in progress shall be flagged as such in the Asset Register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for to operate in the manner intended by management.

11.2.3. Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

11.3. Self-constructed Assets

11.3.1. All assets that can be classified as assets and that are constructed by the municipality should be recorded in the Asset Register and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged as such in the Asset Register until such time that the facility is completed. Depreciation will commence when the asset is in the condition necessary for it to operate in the manner intended by management.

11.4. Donated Assets

11.4.1. Donated assets should be valued at fair value, reflected in the Asset Register, and depreciated as normal assets.

12. ASSET CLASSIFICATION

12.1. Property, Plant And Equipment: Land And Buildings

12.1.1. Land and buildings shall be treated using the cost less depreciation model. Land shall initially be accounted for at cost price, or fair value in cases where cost price is not known, and shall not be depreciated. Land on which infrastructure and/or buildings are located shall be listed separately in the land register and not with the infrastructure or building assets. A reference to the land shall however be included in the infrastructure and/or building Asset Register.

12.1.2. Land and Buildings shall be recorded under the following categories;

a) LAND
   - a) Developed Land
   - b) Undeveloped Land

b) BUILDINGS
   - a) Dwellings
   - b) Non-residential Structures

12.1.3 Land held for a currently undetermined future use should not be included in PPE as that will be accounted in Investment Properties according to GRAP 16.

12.2. Property, Plant And Equipment: Immovable Assets

12.2.1. The Immovable Asset Register shall ensure complete representation of all immovable asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the municipality. An improvement or maintenance plan stipulating the level of detail and the timing of improvements or maintenance shall be prepared.

12.2.2. Depreciable immovable assets should be valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then immovable assets will be valued at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and the depreciation methods applied to Infrastructure assets should be reviewed annually, but the cost related to such reviews should be measured against benefits derived to ensure value for money.

12.2.3. Infrastructure assets having a high-risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected must be rated as critical in the Asset Register. Assets identified as critical in terms of the aforementioned are identified in Annexure B.

12.2.4. Infrastructure Assets shall be recorded under the following main categories;

a) Electricity Network;

b) Roads Network;

c) Solid Waste Disposal;

d) Storm Water Network

12.3. Property, Plant And Equipment: Housing Assets

12.3.1. Housing assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

12.3.2. Housing Assets shall be recorded under the following main categories;

a) Rental Schemes; and

b) Selling Schemes Property,

12.4. Property, Plant and Equipment: Other Assets

12.4.1 Other assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not revalued.

12.4.2 Other assets having a high-risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected must be rated as critical in the Asset Register.

12.4.3 Other Assets shall be recorded under the following main categories;

a) Bins and Containers;
b) Furniture and Office Equipment;
c) Motor Vehicles;
d) Office Equipment;
e) Plant and Machinery;
f) Community Assets.

12.5 Intangible Assets

12.5.1 Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs. Research costs should be expensed and development costs may be capitalised if all the criteria set out in GRAP 31 has been met.

12.5.2 It is the responsibilities of the Manager IT to ensure that all licences and computer software other than operating software are accounted.

12.6 Investment Property

12.6.1 Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position. Investment Property shall initially be measured at its cost. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

12.6.2 If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset.

12.6.3 After initial recognition, all investment property shall be measured at cost less accumulated depreciation, except in the cases described in GRAP 16.61. The fair value of investment property shall be determined annually at reporting date in terms of the municipality's Accounting Policy. The fair value should reflect market conditions and circumstances as at the reporting date.

12.7 Heritage Assets

12.7.1 Heritage assets are valued at cost less accumulated impairment losses. No depreciation shall be charged against such assets. If the cost price of a heritage asset is not known, then the heritage asset will be valued at fair value.

12.8 Biological Assets

12.8.1 Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

13 ASSET MAINTENANCE

13.1 Useful Life of Assets

13.1.1 The calculation of useful life is based on a particular level of planned maintenance. The source of the EUL's, it is as combination of Engineering Judgement based on surrounding Environment and Experience of similar assets in the field as well as referring to some guidelines like the Local Government Capital Asset Management Guideline that provide EUL's ranged to some of the assets.

13.1.2 The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

13.1.3 During annual physical verification the condition of each asset must be reviewed to determine the validity of its remaining useful live as reflected on the Assets Register. All items identified as being impaired (with remaining useful live shorter than anticipated as per the Assets Register) must be reported to the Chief Financial Officer who will implement steps to ensure that the impairments are incorporated in the Assets Register and reported on as required by the standards of GRAP.

13.2 Residual Value of Assets

13.2.1 Residual values should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

13.2.2 The residual value of assets shall be reviewed annually at reporting date. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3

13.2.3 During annual physical verification the condition of each asset must be reviewed to determine the validity of its residual value as reflected on the Assets Register.

13.2.4 The CFO shall ensure that residual values, and changes thereof, are properly recorded and accounted for in the Asset Register and the general ledger.

13.3 Depreciation of Assets

13.3.1 All assets, except land, investment properties and heritage assets, shall be depreciated over their reasonable useful lives. The residual value and the useful life of an asset shall be reviewed at each reporting date. The depreciation method applied must be reviewed at each reporting date. Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used by the municipality, or expected to be so controlled or used during the ensuing financial year.

13.3.2 It is the Municipality's current accounting policy to determine depreciation on assets other than land as calculated on cost, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

13.3.3 Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed. Depreciation of an asset should begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner it is intended by management. Depreciation of an asset ceases when the asset is derecognised. 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 certain methods of depreciation the depreciation charge can be zero while there is no production.

13.3.4 In the case of intangible assets being included as assets, 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 assets.

13.4 Impairment of Assets

13.4.1 Impairment is the 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. For example:

a) Significant decline in market value;
b) Carrying amount of an asset far exceeds the recoverable amount or market value;
c) There is evidence of obsolescence (or physical damage);
d) The deterioration of economic performance of the asset concerned; and
e) The 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 (such as through inadequate maintenance).

13.4.2 The impairment amount is calculated as the difference between the carrying value and the recoverable service value. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at revalued amount.

13.4.3 If the asset is carried at a revalued amount in the case of infrastructure the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

13.4.4 Assets shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as an income.

13.5 Maintenance of Assets and the Asset Register

13.5.1 Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life, but excluding rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance.

13.5.2 For linear infrastructure assets, such as pipes and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

a) If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.

b) If a future renewal of the entire pipe will retain the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

13.5.3 The splitting of linear infrastructure has a data management implication, but it is the easiest method that maintains the data integrity over time.

13.5.4 Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

13.5.5 Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are individually identified in the Asset Register.

13.5.6 The risk and criticality of all assets must be assessed in conjunction with the annual physical asset verification process. All assets with a condition rating greater than 3 (three) must be reported to the Budget and Treasury Standing Committee who will give instructions with regard to the criticality grading of the assets on the Asset Register. Senior Managers must ensure that the assets identified as critical are attended to in order to prevent possible failure.

13.6 Renewal of Assets

13.6.1 Asset Renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However if the service is no longer required, the asset should not be renewed. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

13.6.2 Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

13.6.3 The Budget and Treasury Standing Committee must ensure that processes are in place to capture renewals data against specific assets and to capitalise it correctly.

13.6.4 Senior Managers shall ensure that renewals expenditure are correctly budgeted for in the capital budget and expensed against this budget. Senior Managers must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.

13.7 Replacement of Assets

13.7.1 This paragraph deals with the complete replacement of an asset that has reached the end of its useful life so as to provide a similar or agreed alternative level of service.

13.7.2 Assets that are replaced shall be written off at their carrying value. The replacement asset shall be accounted for as a separate new asset. All costs incurred to replace the asset shall be capitalised against the new asset. The SCMP will be applied.

13.7.3 The Budget and Treasury Standing Committee must ensure that processes are in place to capture replacement data against specific assets and to capitalise it correctly. Senior Managers shall ensure that replacement expenditure are correctly budgeted for in the capital budget and expensed against this budget.

14 ASSET DISPOSAL

14.1 Transfer of Assets

14.1.1 The processes and rules for the transfer of an asset to another municipality, municipal entity or national/provincial organ of state are governed by an MFMA regulation namely "the Local Government: Municipal Asset Transfer Regulations".

14.1.2 Transfer of assets or inventory items refers to the internal transfer of assets within the municipality or from the municipality to another entity. Procedures need to be in place to ensure that the Asset Control Department can keep track of all assets and ensure that the Fixed Asset Register is updated with all changes in asset locations. These procedures must be followed and apply to all transfers of assets from:

a) One Department to another Department;

b) One location to another within the same department;

c) One building to another; and

d) One entity to another.

14.1.3 The transfer of assets is regulated by the SCMP and shall be controlled by the transfer processes in the policy and the Asset Register shall be updated accordingly.

14.1.4 Senior Managers must ensure that all asset transfer information is passed to Finance in which case the CFO will ensure that a process is in place to capture and record asset transfer data.

14.1.5 Staff of the Municipality, except for duly authorised staff, shall not move rented assets, such as photocopy machines.

14.1.6 No person shall transfer any IT equipment without the knowledge and written consent of the Head: Information Technology.

14.2 Exchange of Assets

14.2.1 According to GRAP 17.33 an item of PPE may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless:

a) the exchange transaction lacks commercial substance; or

b) the fair value of neither the asset received nor the asset given up is reliably measurable.

14.2.2 If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

14.2.3 The SCMP will be applied when assets are exchanged. The cost of assets acquired in exchange for another asset shall be measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.

14.2.4 An item of PPE may be acquired in exchange for a similar asset that has a similar use in the same line of operations and which has a similar fair value or may be sold in exchange for an equity interest in a similar asset. No gain or loss is recognised in both cases.

14.2.5 The Budget and Treasury Standing Committee shall approve all asset exchanges in consultation with the relevant Executive Director.

14.3 Alienation / Disposal of Assets

14.3.1 Alienation / Disposal (alienation) is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality.

14.3.2 The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of assets. Specifically:

14.3.3 A municipality may not …" permanently dispose of an asset needed to provide the minimum level of basic municipal services"

14.3.4 Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

14.3.5 There are various methods of disposal. Different disposal methods will be needed for different types of assets. When deciding on a particular disposal method and consideration of the following, the SCMP on disposal of assets must be applied:

a) The nature of the asset
b) The potential market value
c) Other intrinsic value of the asset
d) Its location
e) Its volume
f) Its trade-in price
g) Its ability to support wider Government programmes;
h) Environmental considerations
i) Market conditions
j) The asset's life

14.3.6 Appropriate means of disposal may include:

c) Public auction
d) Public tender
e) Transfer to another institution
f) Sale to another institution
g) Letting to another institution
h) Trade-in
i) Controlled dumping (for items that have low value or are unhygienic)

14.3.7 Alienated assets shall be written-off in the Asset Register

14.3.8 The CFO shall consolidate the requests received from the various departments, and shall promptly report the consolidated information to the Budget and Treasury Standing Committee, recommending the process of alienation to be adopted.

14.3.9 The Council shall delegate to the Budget and Treasury Standing Committee the authority to approve the alienation of any asset. The Council shall ensure that the alienation of any asset takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004. The Act states that the municipality may not alienate any asset required to provide a minimum level of service. The municipality may alienate any other asset, provided the municipality has considered the fair market value and the economic and community value to be received in exchange for the asset.

a) **Selling:** Assets to be sold shall be sold in terms of paragraph 15.4 below.
b) **Donations**: Donations may be considered as a method of alienation, but such requests must be motivated to the Asset Management Committee for approval.
c) **Destruction**: Assets that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.
d) **Scrapping:** Scrapping of assets that cannot be alienated otherwise may be considered as a method of alienation, but such requests must be motivated to the Budget and Treasury Standing Committee.

14.3.10 The letting of immovable property must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the relevant treasury.

14.3.11 The Budget and Treasury Standing Committee must review, at least annually when finalising the budget, all fees, charges, rates, tariffs or scales of fees or other charges relating to the letting of municipal property to ensure sound financial planning and management.

14.4 Selling of Assets

14.4.1 Selling of assets refers to the public sale of municipal assets approved for alienation. The selling of assets must be within the parameters laid down in the SCMP. Furthermore all assets earmarked for sale be sold by public auction or tender and the following steps shall be followed:

a) A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
b) In the case of a public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and
c) In the case of a tender, the prescribed tender procedures of the municipality shall be followed.

14.4.2 A request for assets to be sold must be submitted to the Budget and Treasury Standing Committee for approval. The request must be accompanied by a list of assets to be sold and the reasons for sale.

14.4.3 The Budget and Treasury Standing Committee may approve the engagement of auctioneers either on a quotation basis or by tender depending on the goods to be alienated and the SCMP as follows:-

a) **Bidding:** Bidders are afforded the opportunity to make an offer on identifiable items. Bids are compared and the highest bidder is awarded the bid.
b) **Tenders:** Tenders shall be invited according to the municipality's tender procedures.

14.4.4 If the proceeds of the sales are less than the carrying value recorded in the Asset Register, such difference shall be recognised as a loss for the department or vote concerned in the Statement of Financial Performance. If the proceeds of the sales, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain for the department or vote concerned in the statement of financial performance.

14.4.5 Transfer of 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.

14.5 Writing-off or Scrapping of Assets

14.5.1 The write-off of assets is the process to permanently remove the assets from the Asset Register. Assets can be written-off after approval of the Budget and Treasury Standing Committee of a report indicating that:

a) The useful life of the asset has expired;
b) The asset has been destroyed;
c) The asset is out dated;
d) The asset has no further useful life;
e) The asset does not exist anymore;
f) The asset has been sold; and
g) Any other acceptable reasons have been furnished leading to the circumstances set out above.

14.5.2 The CFO may approve the ad hoc writing-off of assets without prior approval of the Budget and Treasury Standing Committee on condition that:-

a) The write-offs fall after but before the next scheduled Budget and Treasury Standing Committee meeting and financial year end closure; and
b) The Budget and Treasury Standing Committee is informed of the write-offs at the next scheduled meeting.

14.5.3 The only reasons for writing off assets, other than the sale of such assets during the process of alienation, shall be the loss, theft, destruction, material impairment, or decommissioning of the asset in question.

14.5.4 The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Budget and Treasury Standing Committee on the assets to be written off.

14.5.5 An asset, even though fully depreciated, shall be written-off only on the recommendation of the Senior Manager controlling or using the asset concerned, and with the approval of the Budget and Treasury Standing Committee.

14.5.6 In every instance where a not fully depreciated asset is written off with no proceeds for the asset being obtained, the CFO shall immediately debit to such department or vote the full carrying value of the asset concerned as loss on disposal.

15 ASSET PHYSICAL CONTROL

15.1 Physical Control / Verification

15.1.1 Movable assets require physical control and verification of existence. All movable assets shall be actively controlled, including an annual verification process.

15.1.2 All movable assets, where practicable, must have a visible bar code or unique asset marking.

15.1.3 Annual verification of movable assets should be conducted under the direction of Finance. This procedure would enable the municipality to identify discrepancies and dispositions and properly investigate and record the transactions. Procedures should be established to adequately identify assets owned by others or subject to reclamation by donors.

15.1.4 The Asset Management Committee shall co-ordinate and control regular physical checks, and all discrepancies are to be reported immediately to the Budget and Treasury Standing Committee.

15.1.5 Registers must be kept for those assets allocated to staff members. The individuals are responsible and accountable for the assets under their control. These registers should be updated when the assets are moved to different locations or allocated to a different staff member in order to facilitate control and physical verification.

15.1.6 Where a change in person in direct control of equipment takes place, a handing-over certificate shall be completed and signed by both parties concerned and a copy of this certificate must be forwarded to Finance. If surpluses or deficiencies are found, the certificates shall be dealt with as with stock-taking reports.

15.1.7 If for any reason the person from whom the asset is being taken over is not available, the asset manager should assist the person taking over with the checking of the equipment and the certification of any discrepancies.

15.1.8 In case of failure to comply with the requirements of a handing-over certificate, the person taking over shall be liable for any shortages, unless it can be established that the shortages existed prior to their taking over.

15.1.9 Any losses of and damage to equipment, excluding discrepancies at stocktaking of losses resulting from normal handling or reasonable wear and tear, shall be reported to the Budget and Treasury Standing Committee.

15.1.10 Independent checks from asset records shall be conducted to ensure that the assets physically exist, especially those that could be disposed of without a noticeable effect on operations.

15.1.11 Yearly physical inspections of assets shall be performed to identify items which are damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, written off or disposed.

15.1.12 All newly acquired assets shall be delivered to / received by the procurement section where the assets will be bar-coded before dispatch to the persons who will be the custodians of the assets. Where this is not practicable, the acquired assets must be delivered to the section issuing the requisition and that section must notify the procurement section so that bar-coding or asset marking can be arranged.

15.1.13 Delivery of assets by procurement staff must be to the person requiring the asset and he/she will sign a form accepting responsibility for the asset.

15.1.14 The Budget and Treasury Standing Committee may, on request of an Executive Director, waive full physical verification and accept written confirmation from the Executive Director of infrastructure assets being verified during the course of a financial period as part of routine and/or planned maintenance and/or physical inspections. Documentation in this regard must be kept by departments and be available for inspection. The Chief Financial Officer will inform the external auditors of the Budget and Treasury Standing Committee's decision.

15.2 Insurance of Assets

15.2.1 Insurance provides selected coverage for the accidental loss of the asset value. Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury.

15.2.2 Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All municipal buildings shall be insured at least against fire and allied perils.

15.2.3 The Budget and Treasury Standing Committee will ensure that all assets are properly insured in terms of the policy.

15.3 Safekeeping of Assets

15.3.1 Asset safekeeping is the protection of assets from damage, theft, and safety risks.

15.3.2 Directives for the safekeeping of assets shall be developed and the safekeeping of assets shall be actively undertaken.

15.3.3 The Budget and Treasury Standing Committee must issue directives that detail the safekeeping of assets and Senior Managers must ensure that safekeeping directives are adhered to.

15.3.4 Malicious damage, theft, and break-ins must be reported to the CFO within 48 hours of its occurrence or awareness. The CFO will inform the Budget and Treasury Standing Committee of such occurrence.

15.3.5 The Municipal Manager must report criminal activities to the South African Police Service.

15.3.6 If any biological asset is lost, stolen or destroyed, the matter shall be reported in writing by the Senior Manager concerned in exactly the same manner as though the asset were an ordinary asset.

16 ASSET FINANCIAL CONTROL

16.1 Borrowing Costs (GRAP 5)

16.1.1 Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs.

16.1.2 The capitalisation of borrowing costs should take place when borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

16.1.3 During extended periods in which development of an asset is interrupted, the borrowing costs incurred over that time period should be recognised as an expense when incurred. Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The capitalising borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

16.1.4 Borrowing costs shall be capitalised, if related to the construction of an asset, when the construction of an asset is expected to take a substantial period of time to get ready for its intended use or resale and an outside agency is used to finance the project. The CFO should reconcile the borrowing cost to be capitalised with the amount that has been capitalised on a monthly basis.

16.2 Funding Sources

16.2.1 The Municipal Finance Management Act (MFMA) provides guidelines on how to utilise funds in financing assets (Section 19 of MFMA). The municipality shall utilise any of the following sources to acquire and / or purchase assets:

a) Grants;

16.2 Funding Sources

16.2.1 The Municipal Finance Management Act (MFMA) provides guidelines on how to utilise funds in financing assets (Section 19 of MFMA). The municipality shall utilise any of the following sources to acquire and / or purchase assets:

a) Grants;
b) Donations;
c) Internally Generated Funds;
d) External Loans; and / or
e) Leases.

Signed on the 29 **day of** May **2026**

MUNICIPAL MANAGER

ANNEXURE A: ABBREVIATIONS

AM	**Asset Management**
AMS	**Asset Management System**
CFO	**Chief Financial Officer**
DM	**District Municipality**
EPWP	**Expanded Public Work Program**
GAMAP	**Generally Accepted Municipal Accounting Practice**
GIS	**Geographical Information System**
GRAP	**Standards of Generally Recognised Accounting Practice**
HR	**Human Resource**
IAM	**Infrastructure Asset Management**
IAMP	**Infrastructure Asset Management Plan**
AR	**Asset Register**
EUL	**Estimated Useful Life**
IAR	**Infrastructure Asset Register**
IAS	**International Accounting Standards**
IDP	**Integrated Development Plan**
MFMA	**Municipal Finance Management Act**
MTREF	**Medium Term Revenue and Expenditure Framework**
NT	**National Treasury**
OAG	**Office of the Accountant General**
LM	**Local Municipality**
O&M	**Operation and Maintenance**
SCMP	**Supply Chain Management Policy**

ANNEXURE B: ASSET HIERARCHY

Type	EUL Years
Land	Indefinite
Buildings	5 - 100
Furniture and Fixtures	2 - 26
Motor vehicles	3 - 15
Office Equipment	3 - 26
IT Equipment	3 - 17
Infrastructure	
Roads, bridges and pavements	5 - 100
Electricity, reticulation and supply	9 - 60
Waste disposal site	7 - 30
Storm Water	40 - 100
Traffic lights	10
Landfill sites	15 - 30
Metering Infrastructure credit	25
Community	
Cemeteries	10 - 30
Community Halls	25 - 50
Housing scheme houses	15
Recreational facilities	10 - 50
Plant and Machinery	2 - 15
Other Property, Plant and Equipment	5 - 21
Park Facilities	10 - 50