



**DIPALESENG LOCAL MUNICIPALITY**  
**FIXED ASSET MANAGEMENT POLICY**  
**2026/27**

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## 1. DEFINITIONS

- a) **Accounting officer** means the municipal manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and being the head of administration and accounting officer in terms of section 60 of the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000).
- b) **Accounting Standards Board (ASB)** means the board established in terms of Section 87 of the Public Finance Management Act. The section refers to the function of the board, which is to establish standards of GRAP as required by the Constitution of the Republic of South Africa.
- c) **Assets** are resources controlled by the municipality as a result of past events and from which future economic benefit or service potential are expected to flow.
- d) **Asset categories** are the main and sub groups used for the classification of assets.
- e) **Asset life-cycle** is the cycle of activities that an asset goes through – including planning, design, initial acquisition and/ or construction, cycles of operation and maintenance and capital renewal and finally disposal.
- f) **Asset management** is a broad function and includes a structured process of decision-making, planning and control over the acquisition, use, safeguarding and disposal of assets to maximise their service delivery potential and benefits, and to minimize their related risks and costs over their entire life-cycle.
- g) **Asset register** is a record of information on each asset that supports the effective financial and technical management of the assets and meets statutory and reporting requirements.
- h) **Capital assets** are all assets with an expected life-cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network), furniture, motor vehicles, computer equipment, etc), intangible assets, heritage assets and investment property.
- i) **Capitalisation** is the recognition of expenditure as an asset in the Financial Asset Register. Capitalisation of assets means the recording of assets in the Fixed Asset Register with its historical financial cost in accordance with GRAP.
- j) **Carrying amount** is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation and accumulated impairment losses thereon.
- k) **Chief Financial Officer** means an officer of a municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.
- l) **Community assets** are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.
- m) **Component** is an element / part of an asset that is significant in terms of the main asset, either in functionality or cost, and has a different use than other components 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.

- n) **Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
- o) **Current replacement cost** is the cost of replacing the asset with a similar asset or modern.
- p) **Depreciable amount** is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
- q) **Depreciated replacement cost** is a measure of the current value of an asset based on its current replacement cost less an allowance for deterioration of condition to date (based on the fraction of remaining useful life/ expected useful life).
- r) **Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.
- s) **Direct attributable costs** include the following:
  - (i) cost of employee benefits arising directly from the construction or acquisition of the item;
  - (ii) costs of site preparation;
  - (iii) initial delivery and handling;
  - (iv) installation and assembly costs, cost of testing whether the asset is functioning property, after deducting the net proceeds from selling any item produced while bringing the asset to that location and condition;
  - (v) commissioning (cost of testing the asset to see if the asset is functioning property, after deducting the net proceeds from selling any item produced while bringing the asset to its current condition and location);
  - (vi) professional fees (for example associated with design fees, supervision, and environmental impact assessments) (in the case of all asset classes);
  - (vii) significant dismantling or rehabilitation cost;
  - (viii) transfer taxes (in the case of all asset classes); and
  - (ix) required insurance (applicable to assets under construction)
- t) **Donated assets** are items donated to the municipality at no cost or for a nominal cost or acquired by means of an exchange of assets.
- u) **Fair value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- v) **Fixed Asset** is defined in GRAP17 as a tangible item of property, plant or equipment held by the Municipality 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).

A fixed asset is thus an asset, either movable or immovable, under the control of the Municipality, and from which the Municipality reasonably expects to derive economic

benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in Sections 14, 15 and 16 below.

An asset held under a finance lease, shall be recognised as a fixed asset, as the Municipality has control over such an asset even though it does not own the asset.

- w) **Generally Recognised Accounting Practice (GRAP)** refers to the Standards approved by the ASB for application by municipalities and municipal entities.
- x) **Heritage assets** are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
- y) **Impairment:** An asset is impaired when its carrying amount exceeds its recoverable amount.
- z) **Infrastructure** assets are defined as 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.
- aa) **Investment Properties** are defined as properties that are acquired and held for economic and capital gains. Examples undeveloped land acquired for the purpose of resale in future years.
- bb) **Maintenance** is considered operating expenses incurred in ensuring that the useful operating life of assets is attained.
- cc) **Municipal valuation** means the official valuation of an immovable property as reflected in the Municipality's valuation roll.
- dd) **Other assets** are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.
- ee) **Property, plant and equipment** are tangible assets that: -
  - 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
  - are expected to be used during more than one period.
- ff) **"Recognition"** is the process by which expenditure is included in the financial asset register as an asset.
- gg) **Recoverable amount** is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.
- hh) **Residual** value is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
- ii) **Useful life** is: -
  - 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.

## 2. INTRODUCTION

This policy is intended to define and provide a framework for Asset Management of Dipaleseng Local Municipality within the requirements of section 60, 62, 63, 78 and 79 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA), Treasury Regulations (TR), and Standards of Generally Recognised Accounting Practices (GRAP) and to promote good financial management practices.

It is the responsibility of the Accounting Officer to maintain a system of internal control over assets, including an accurate, valid and complete asset register and appropriate accounting principles applied for all assets.

This policy is applicable to all offices and officials within the Dipaleseng Local Municipality who utilize and/ or manage any type of assets being immovable and movable assets.

## 3. OBJECTIVE

The objective of the asset management policy is to: -

- a) establish a framework for the accounting treatment and safeguarding of assets, including the proper recognition, measurement, disposal and retirement thereof.
- b) To provide proper controls and management systems that will ensure effective, efficient, economical and transparent use of the Dipaleseng Local Municipality's assets.
- c) To establish controls that must ensure proper management of risks associated with the ownership and safeguarding of the Dipaleseng Local Municipality's assets.
- d) To foster a spirit of custodianship, responsibility, accountability and optimization of the Dipaleseng Local Municipality's assets.
- e) To improve sustainability and lower the risk of failure of the Dipaleseng Local Municipality's assets.
- f) To ensure the Dipaleseng Local Municipality's assets are safeguarded, sort for, efficiently utilized and maintained and to ensure the deliverance of excellence within the scope of service delivery.
- g) To ensure compliance with legislative, accounting and other municipal policy prescripts.
- h) The Municipality will progressively transition toward a structured Asset Management Framework, including Asset Management Plans and a Strategic Asset Management Plan, subject to institutional capacity and resource availability."

## 4. REGULATORY FRAMEWORK

The following references were observed in compiling this document:

- a) Municipal Finance Management Act, 2003
- b) Municipal Systems Act, 2000
- c) Asset Management Framework, National Treasury, 2004

- d) Guidelines for Infrastructure Asset Management in Local Government, Department of Provincial and Local Government, 2006
- e) MFMA Circular 18 & 44
- f) Local Government Capital Asset Management Guidelines, National Treasury, 2008
- g) Government Gazettes (30013 & 31021)
- h) Generally Recognised Accounting Practice (GRAP).
- i) Municipal Transfer and Disposal Regulations, Government Gazette no.31346.

## **5. SCOPE**

This policy applies to all asset classes as prescribed by the SCOA regulations and also GRAP, including, but not limited to:

- a) Infrastructure Assets
- b) Community Assets
- c) Intangible Assets
- d) Heritage Assets
- e) Investment Properties
- f) Plant and machinery
- g) Biological Assets
- h) IT Equipment
- i) Office equipment
- j) Furniture and Fixtures
- k) Office Equipment
- l) Motor Vehicles
- m) Buildings
- n) Specialised vehicles
- o) Other property, plant and equipment

which are either contributed to the Dipaleseng Local Municipality or purchased and which meet the definition as set out above.

## **6. FUNCTIONAL RESPONSIBILITIES**

This section prescribes the responsibilities of relevant functions within the Municipality with regard to assets

### **6.1 Municipal Manager**

The Municipal Manager as the Accounting Officer of the municipality is responsible for the management of the assets of the municipality in terms of section 63 of the MFMA which prescribes the following:

- a) Safeguarding and maintenance of assets.



- b) Implementation of an accounting and information system that accounts for the assets.
- c) Ensuring that assets are valued in terms of GRAP.
- d) Maintaining a system of internal control of assets (e.g. an asset register).
- e) The Municipal Manager may delegate this function to members of top management or any other official of the municipality in terms of section 79(1)(b) of the MFMA.

## **6.2 Chief Financial Officer**

The CFO should take all reasonable steps to ensure that:

- a) Appropriate systems of financial management and internal controls are established and carried out diligently.
- b) The financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.
- c) Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented.
- d) The systems, processes and registers required to substantiate the financial values of the municipality's assets are maintained to standards sufficient to satisfy the requirements of all statutes.
- e) Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilised through appropriate asset plans, budgeting, purchasing, and maintenance and disposal decisions.
- f) The Municipal Manager is appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets.
- g) The Managers are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets.

No amendments, deletions or additions to the Fixed Asset Register shall be made other than by the Chief Financial Officer or by his/her authorised delegate.

## **6.3 Directors**

The Directors must take all reasonable steps to ensure that:

- a) Appropriate systems of physical management and controls are established and carried out for assets in their areas of responsibility.
- b) The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently.
- c) The assets under their control are appropriately safeguarded and maintained to the extent necessary and that risk management systems are in place and applied.

- d) Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented.
- e) Their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- f) They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives.
- g) The purchase of assets complies with all municipal policies and procedures.
- h) All movable property, plant and equipment is duly processed and identified when it is received into his/ her stewardship.
- i) All movable assets received into his/ her stewardship are appropriately safeguarded against inappropriate use of loss. This will include control over the physical access to these assets and regular asset counts to ensure any losses have not occurred. Any known losses should be immediately reported to the CFO.
- j) Assets are appropriately utilised for the purpose for which the municipality acquired them.

In addition, the Directors are responsible to ensure that all employees within their respective department adhere to the approved Asset Management Policy and Procedure. The Directors should nominate an employee to implement and maintain asset control (i.e. Departmental Asset Controller) in his/ her department.

#### **6.4 The Financial Reporting and Asset Division**

The Manager or his/ her delegate is designated as the Municipality's Asset Co-ordinator and is responsible for ensuring that:

- a) a valid, accurate and complete Fixed Asset Register is maintained;
- b) the Fixed Asset Register is reconciled monthly with the trial balance and the general ledger;
- c) an annual asset verification is performed for all municipal assets. The results of this verification must be reported to the CFO, the Municipal Manager or Council;
- d) the allocation of barcode ranges is co-ordinated;
- e) all asset internal and external audit queries are resolved timeously; and
- f) the municipality's assets are valued in accordance with the standards of GRAP.

#### **6.5 The Supply Chain Management Division**

The Supply Chain Management Division must:

##### **6.5.1 with regard to acquisitions and disposals of assets:**

- (a) ensure that all assets are acquired in terms of the SCM Policy;
- (b) before accepting an obsolete or damaged asset or inventory item, ensure that a completed Disposal Store Retirement/ Disposal Form is presented with the assets;
- (c) ensure that a record is kept of all obsolete, damaged or unused municipal assets;
- (d) compile a list of the items to be auctioned in accordance with their guidelines;
- (e) ensure that all assets disposed of by means of public auction is retired from the FAR and the profit/ loss is accounted for in terms of GRAP.

**6.5.2** with regard to transfers from the Disposal Store:

- (a) have the right to transfer obsolete or unused assets to any municipal centre requiring such assets;
- (b) notify the Assets Division of such transfers within 10 working days of transfers taking place;
- (c) ensure that a record is kept of all such transfers.

**6.6 The Human Resources Division**

The Divisional Manager shall ensure that no monies are paid out to staff on termination of their service prior to receiving the relevant movable asset resignation form signed off by the relevant manager to whom the official resigning was reporting to.

**7. FORMAT OF FIXED ASSET REGISTER**

7.1. The Fixed Asset Register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of Generally Recognised Accounting Practice (GRAP).

7.2. The Fixed Asset Register shall reflect the following minimum information:

- a) date of acquisition
- b) location, including region, street name and number and suburb
- c) barcode allocated/ other ID number
- d) asset class and type
- e) depreciation methods used
- f) estimated useful life / life expectancy (EUL)
- g) remaining useful life (RUL)
- h) depreciation charges
- i) gross carrying value
- j) accumulated depreciation
- k) a brief description of each asset;
- l) a project reference number (WBS number), if applicable
- m) responsible official, employee number
- n) the departments or cost centre within which the assets will be utilised;

- o) The Surveyor General's 21 digit SG code;
- p) the original cost or fair value if no costs are available;
- q) the (last) revaluation date of the fixed assets subject to revaluation;
- r) the re-valued value of such fixed assets;
- s) impairment losses;
- t) impairment recovery;
- u) the source of financing;
- v) the current insurance arrangements;
- w) the date on which the asset is disposed of;
- x) the disposal price; and
- y) the date on which the asset is retired from use, if not disposed of.
- z) Condition of the asset
- aa) Performance or capacity of the asset

7.3 All Directors under whose control any fixed asset falls shall provide the Chief Financial Officer in writing with any information required to compile the Fixed Asset Register, and shall advise the Chief Financial Officer in writing, within 24 hours of any material change which may occur in respect of such information.

7.4 A fixed asset shall be capitalised as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset. A fixed asset shall remain in the Fixed Asset Register for as long as it is under the control of the Municipality.

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

8.1 An item shall be recognised as an asset if:

- it meets the definitions of an asset as defined in GRAP 17 and
- the cost or fair value of the item can be measured reliably.

8.2 Assets are recorded at cost which shall include the purchase price and other acquisition costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating, such as installation costs, freight charges, transportation, taxes, legal costs and duties etc.

8.3 For a contributed capital asset, cost is deemed to be the fair value at the date the asset is contributed.

8.4 An item is recognised in the statement of financial position as a capital asset if:

- it qualify as an asset as defined in GRAP 17; and
- the item is expected to be used for more than twelve months.

8.5 Subsequent expenditure relating to assets is capitalised if it is probable that future economic benefits or potential service delivery of the asset is enhanced in excess of the originally assessed standard of performance.

#### 8.6 Single-Asset or Component Approach:

- a) The component approach is a GRAP17 supported approach where complex assets can be split into significant parts for recording.
- b) Where an asset comprises significant components with materially different useful lives, such components **shall** be recognised and depreciated separately in accordance with GRAP 17.
- c) Once an item is identified as a separately depreciable part it can be treated as a separate capital asset for depreciation, recognition and derecognition purposes.
- d) In the asset register, a component should be linked to a main asset, and that, for reporting purposes, the value of the main asset (including all components) is used.
- e) Where an asset comprises significant components with materially different useful lives, such components shall be recognised and depreciated separately in accordance with GRAP 17. The key considerations in determining what should become a separately depreciable part (component) are:
  - o significant cost; and
  - o considerable difference in useful life.
  - o If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).
- ~~f) – Determining whether to use a single-asset or a component approach for the different classes of assets should be based on what it costs to compile the information versus the value it has to management.~~
- ~~g) – The approach taken does not have to be consistent across all classes of assets. Componentisation shall be applied consistently across asset classes where such components are material in value or useful life.~~
- ~~h) – The approach elected for a specific class of assets should be applied consistently to all assets within that class.~~

## 9. WORK IN PROGRESS

9.1 Construction (Work in Progress) represents the cost of work performed in the construction or development of a non-current asset.

- a) Some assets are constructed or developed over extended periods of time. Other assets may require extensive installation work or integration with other assets. During these processes such assets are referred to as Construction (Work in Progress). Examples include the construction or development of buildings, infrastructure assets and specialised equipment.
- b) These types of assets contrast with simpler municipality assets that are ready and available for use when acquired, such as office equipment.
- c) Construction (WIP) may relate to the construction, development or installation of a new asset or works that result in an improvement to an existing asset.

- d) Although Construction (WIP) is recorded as a non-current asset, it is not depreciated or subject to revaluation requirements until the asset is complete and first put into use or held ready for use by the municipality.
- e) Funding and approval for construction of a capital nature is provided through the annual budgets.
- f) Construction or development costs are to be recognised as Work in Progress where they meet the asset recognition and capitalisation criteria.
- g) Construction costs are to be recognised as Construction (Work in Progress) in the reporting period in which the construction activity is performed.
- h) Construction costs are recognised at the time the related construction activity is performed. In many situations this will be with reference to the stage of completion of the construction. From a practical point of view, assessment of the stage of completion should take into account significant cost components rather than seeking to account for individual cost components.
- i) The stage of completion of construction may be determined in a variety of ways including by:
  - reference to an architect's certificate or survey of work performed;
  - progress bills received; or
  - determining the proportion of physical work performed to date and comparing this to the estimated total physical work required to complete the construction or development of the asset.
- j) Construction or development costs that relate to future activities, including any advance payments do not reflect work performed and therefore are not part of Work-in-progress. Accordingly, materials purchased for use in construction but not used at the reporting date are not included in the cost of work performed to date.
- k) Payments made prior to the completion of a particular stage of construction or development will be recognised as prepayments rather than Work-in-progress.
- l) Work in Progress includes materials, labour and overhead costs that are either directly related or allocated to the construction or development of an asset.
- m) When an asset is completed and held ready for use, costs associated with the construction or development of the asset will be transferred (in a timely manner) to the relevant non-current asset class and added to the municipality Register of Assets.
- n) Costs incurred on existing non-current assets that are included as Construction (WIP) are classed as improvements. On completion of works these costs are added to the value of the existing asset.
- o) Costs included as WIP that do not satisfy the asset recognition criteria and the property, plant and equipment capitalisation threshold will be expensed
- p) A project may involve construction or development stages that relate to a number of individually identifiable component assets or sub-projects that may be completed at different times. In these cases, it may be appropriate to transfer each component asset to the relevant non-current asset class when the individual component asset is completed and held ready for use, even though the construction of the other component assets is not complete.
- q) WIP is not depreciated. Depreciation will commence from the time the completed asset is transferred to the relevant non-current asset class and is first put into use or held ready for use by the municipality
- r) WIP is not subject to revaluation requirements, with Construction (WIP) being carried at cost. Following transfer of Construction (WIP) to the relevant non-current asset class, the asset may be revalued on or before the next revaluation date for that class of assets. The municipality should remain aware that the cost

of newly constructed assets will, in most cases, closely reflect the current replacement cost of that asset.

- s) WIP assets maybe impaired or written off. This may not occur until reliable information in relation to total asset cost and asset value on completion are available.

#### 9.2 Capitalisation gate.

- a) Assets under construction shall only be transferred from Work-in-Progress to the Fixed Asset Register once the asset is available for use in the manner intended by management.
- b) The relevant Technical Department must formally confirm practical completion and readiness for use in writing.
- c) The Finance Department shall only capitalise the asset upon receipt of such confirmation.

### 10. DETERMINATION OF USEFUL LIFE

- a) The calculation of useful life is a matter of judgment best determined by the Asset manager in consultation with the asset experts e.g. an engineer, a facilities manager or a fleet manager who is familiar in the management of that type of asset and its life-cycle (these may be outsourced experts).
- b) In determining the useful life of an asset, the Asset manager will consider many factors including the following:
  - c) expected wear and tear due to operational factors, maintenance and rehabilitation policies;
  - d) economic obsolescence because it is too expensive to maintain;
  - e) functional obsolescence because it no longer meets the municipality's needs;
  - f) technological obsolescence;
  - g) social obsolescence due to changing demographics; and
  - h) legal obsolescence due to statutory constraints.
- i) The useful life must be reviewed annually per GRAP 17, and may need to be decreased where maintenance is deferred;
- j) The annual determination changes shall be in writing and supported by signed /approved documentation.
- k) The useful life and residual value of all assets shall be reviewed annually and any changes shall be approved by the Chief Financial Officer and supported by appropriate technical justification.

The following asset types have been identified and their corresponding useful life and are indicated.

Asset type	Useful lives in years
Land	Indefinite
Servitudes	Indefinite
Buildings	5-60 years
Plant and machinery	5-15 years
Furniture and Fixtures	3-10 years
Motor vehicles	5-12 years
Office equipment	3-7 years
IT equipment	1-7 years
Computer software	1-5 years
Infrastructure assets	3-100 years

Community assets	5-100 years
Other property, plant and equipment	5-12 years
Specialised vehicles	7-12 years

## 11. ASSETS HELD UNDER FINANCE LEASE

Assets held under finance leases are capitalised and will be reflected in the Fixed Asset Register.

11.1 Major spare parts / standby equipment (strategic stock) qualify as PPE when it is a significant cost in relation to the total cost of the item, and it is expected to use them during more than one year.

11.2 Fixed assets shall be classified under the following headings in the Fixed Asset Register:

a) PROPERTY, PLANT AND EQUIPMENT (GRAP 17)

- Computer Equipment
- Furniture and Fittings
- Office Equipment
- Plant and Machinery
- Motor Vehicles
- Land
- Buildings
- Infrastructure assets
- Community assets

b) INVESTMENT PROPERTY (GRAP 16)

c) INTANGIBLE ASSETS (GRAP 102)

- Computer software
- Servitudes

## 12. INVESTMENT PROPERTY

12.1 An item shall be recognised as Investment property if it meets the definition.

12.2 Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of financial position.

12.2.1 Investment property is recognised at cost, and subsequently measured at fair value (fair value model).

12.2.2 Disclosable value measured at recognition:

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



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

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

12.3 Investment property shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

12.4 Investment property shall be recorded in the Fixed Asset Register in the same manner as other fixed assets, but a separate section of the Fixed Asset Register shall be maintained for this purpose.

12.5 Investment property 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 balance sheet 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 the assets concerned.

12.6 An expert valuator shall be engaged by the municipality to undertake such valuations.

12.7 If the Council 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 item of PPE until it is ready for its intended use – where after it shall be reclassified as an investment asset.

### **13. INTANGIBLE ASSETS**

13.1 Assets that meet the criteria of GRAP 31 (Intangible assets) shall be recognized as intangible assets at cost.

13.2 After initial recognition, intangible assets shall be carried at cost less accumulated amortisation and any accumulated impairment losses.

13.3 Intangible assets shall be recorded in the Fixed Asset Register in the same manner as other fixed assets, but a separate section of the Fixed Asset Register shall be maintained for this purpose.

### **14. NON-CURRENT ASSETS HELD FOR SALE (GRAP 100)**

14.1 Assets that shall be classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use, in terms of GRAP 100

14.2 If the criteria in GRAP 100 are met after the balance sheet date, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. However, when those criteria are met after the balance sheet date but before the authorization of the financial statements for issue, the entity shall

disclose the information in the notes to the financial statements. This information is as follows:

- a) a description of the non-current asset (or disposal group);
- b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal.

## **15. RECOGNITION OF HERITAGE ASSETS**

15.1 Heritage assets shall be accounted for in terms of GRAP 103 and shall be classified as a separate class of non-current assets on the Municipality's Statement of Financial Position.

15.2 Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality is not required to recognise assets as heritage assets where they would otherwise meet the criteria for PPE (for example, a historic building being used as office accommodation).

15.3 A heritage asset shall be recognised as an asset if, and only if:  
it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

15.4 A heritage asset that qualifies for recognition as an asset shall be measured at its cost.

15.5 Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

15.6 After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

15.7 Heritage assets shall be recorded in the Fixed Asset Register in the same manner as other fixed assets, and a separate section of the Fixed Asset Register shall be maintained for this purpose.

## **16. BIOLOGICAL ASSETS**

16.1 Accounting for biological assets shall take place in accordance with the requirements of GRAP 27

16.2 The Chief Financial Officer, in consultation with the Directors concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less costs to sell. Such valuation shall be undertaken by a recognised valuator in the line of the biological assets concerned.

16.3 Details of biological assets shall be kept in a separate section of the fixed assets register.

16.4 The Chief Financial Officer shall, in consultation with the relevant Department Directors, ensure that the Municipality's biological assets are comprehensively insured, provided the Council considers such insurance desirable and affordable.

#### **17. RECOGNITION OF DONATED ASSETS**

Where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the Fixed Asset Register at its fair value, as determined by the Chief Financial Officer.

#### **18. IDENTIFICATION OF FIXED ASSETS**

The Municipal Manager shall ensure that the Municipality maintains an asset identification system which shall be operated in conjunction with its electronic Fixed Asset Register. (this shall include community, heritage and biological assets)

#### **19. CUSTODY OF SECURITY ASSETS**

- 20.1 All Employees of the municipality are responsible for safeguarding assets.
- 20.2 All assets must be assigned to employees in writing.
- 20.3 Department directors shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the relevant Department.
- 20.4 All assets shall be barcoded and tracked by physical location through the Fixed Asset Register. In other cases, where it is not possible to attach a barcode, a unique inventory number should be attached to the asset by means of either spray painting or any other practical means.
- 20.5 It is the responsibility of relevant Departments to report stolen or damaged property to the Finance Department.

#### **20. VERIFICATION OF FIXED ASSETS**

- 21.1 A physical asset verification process shall be performed annually and be conducted simultaneously throughout the Municipality. This will coincide with the financial year-end of the Municipality.
- 21.2 Overall coordination of the annual asset verification process shall rest with the Finance Department, with each Department responsible for the verification of their own assets.
- 21.3 The results of such verification will be reported to every head of department who shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, on all the fixed assets not verified during such fixed asset verification.

21.4 Asset verifications shall be undertaken and completed as closely as possible to the end of each financial year and the resultant report shall be submitted to the Municipal Manager by 31 August of the year in question.

## **21. COMMUNICATION OF CHANGES**

All changes shall be reported to the Finance Department within 10 working days to maintain accuracy of the Fixed Asset Register.

## **22. DISPOSALS AND RETIREMENTS**

### **22.1 Governance**

The disposal/ retirement of assets is governed by sections 14 and 90 of the MFMA, where it states inter alia that

- a) The Municipality may only dispose of assets that are not providing minimum levels of basic municipal services.
- b) Assets other than those utilised to provide minimum levels of basic services may be disposed of subject to Council approval or in terms of delegated authority.

### **22.2 Procedures**

- a) Any items declared obsolete or damaged must be accompanied by completed Asset Movement Capture Forms and approved by the Department Director, and counter-signed by the Asset Management Clerk.
- b) Prior approval is necessary should the following asset classes be declared obsolete or damaged:
  - i. **Vehicles and Plant** – The Corporate Services Director must authorise the write-off.
  - ii. **IT Equipment** – The Corporate Services Director must authorise the write-off.

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

Department Directors shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the Chief Financial Officer and, in cases of suspected theft or malicious damage – also to the South African Police Service.

## **24. CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

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

24.2 Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the

asset concerned is attained, and shall not be capitalised, irrespective of the value of the expenses incurred.

24.3 All capitalisation decisions shall be supported by appropriate documentation, including project completion certificates and technical confirmation of asset readiness. The Chief Financial Officer shall ensure that no expenditure is capitalised without sufficient supporting documentation and approval.

## **25. CALCULATION OF THE INITIAL COST PRICE OF ITEMS OF PPE**

The initial budgeting and recording of an item of PPE is dealt with as follows:

25.1 An item of PPE that qualifies for recognition as an asset shall initially be measured at its cost. The cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are:

- i. Costs of employee benefits (as defined in the Standard of Generally Recognised Accounting Practice on *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment
- ii. The cost of site preparation.
- iii. Initial delivery and handling costs.
- iv. Installation costs.
- v. Professional fees such as for architects and engineers.

25.2 Administration and other overhead costs cannot be regarded as directly attributable costs and can therefore not be included in PPE.

25.3 When payment for an item of PPE 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.

## **26. MAINTENANCE OF ASSETS**

26.1 Each Department must develop a maintenance strategy that with ensure that the Municipality's assets are maintained at an adequate operational level or standard ensuring that all statutory, technical and operational objectives are achieved. This includes preventative, predictive and corrective maintenance strategies. This strategy must ensure that tangible assets under the custody and control of the relevant directors are properly maintained and repaired so that their possible maximum useful lives are realised. Asset condition and performance information shall be used to inform maintenance planning and prioritisation.

Each Department is responsible for ensuring:

- 26.1.1 That all tangible and intangible assets under their control are maintained in a good working condition. The departments must take adequate care that the working environments for the various assets are appropriate and suitable for such types of assets;
- 26.1.2 That their assets are not misused for personal use or benefit;
- 26.1.3 That repair and maintenance costs incurred is reviewed and properly controlled;
- 26.1.4 The development of a Departmental Asset Management Plan (DMP) according to their operating budgeting resources.
- 26.1.5 Department directors shall ensure that a maintenance plan is developed in respect of every new infrastructure asset with a value of R100,000 (one hundred thousand rand) or more is prepared and approved by the Accounting Officer prior to the commencement of the procurement process of the replacement asset.
- 26.1.6 The maintenance plan shall be reviewed annually and assessed whether it meets the maintenance requirements of the asset.
- 26.1.7 Directors shall be responsible for ensuring that all assets are adequately maintained to ensure that such assets attain their useful operating lives.
- 26.1.8 The asset maintenance plans shall be considered in the development and/or review of the Municipality's Integrated Development Plans and Service Delivery Budget Implementation Plans

## **27. DEPRECIATION OF FIXED ASSETS**

- 27.1 All fixed assets, except land and heritage assets, shall be depreciated or amortised in the case of intangible assets.
- 27.2 The Chief Financial Officer shall determine a useful operating life to each class of Depreciable assets recorded on the Municipality's Fixed Asset Register.
- 27.3 Assets shall be depreciated using the straight-line basis of depreciation unless the Chief Financial Officer identifies a more appropriate basis of depreciation and if the required information to implement the revised basis of depreciation is readily available. The amended basis of depreciation shall be applied to all assets within an asset class.
- 27.4 The municipality depreciates items of PPE over their useful lives after taking into account residual values as was determined at the date of purchase. In the following instances, a review of the remaining useful life or the residual value of the item of PPE may be necessary and the municipality may decide to write off the asset over a shorter period than its remaining useful life:
  - a) The item is not properly maintained and it is unlikely that the item can be used for its originally expected useful life. The estimated remaining useful life must be used to calculate the depreciation charge for the remaining life of the item of PPE.

- b) The item can no longer be used for its intended purpose. In this circumstance, the asset must be written-off. There will no longer be a depreciation charge.
- c) If the estimated useful life of an item of property, plant and equipment changes significantly due to technological changes then the depreciation rate should be adjusted for the current and remaining future periods. If the asset shows a significant change in the pattern of usage, then the depreciation method should be changed and will be accounted for as a change in estimate where the depreciation charge for the current and future periods will be adjusted.

27.5 The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

## **28. CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION**

28.1 The Chief Financial Officer shall ensure that in respect of all fixed assets financed from the Municipality's Capital Replacement Reserve, or from Grants or Subsidies or Contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the Municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

28.2 The Chief Financial Officer shall thereafter ensure that in the case of depreciable fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each month from such non-distributable reserve to the Municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the Chief Financial Officer shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

## **29. IMPAIRMENT LOSSES**

29.1 The carrying amount of an item or a group of identical items of property, plant and equipment shall be reviewed annually in order to assess whether or not the recoverable amount has declined below the carrying amount.

29.2 Any resultant impairment losses shall be reported as a loss in the Financial Year, except where this relates to reversal of a revaluation gain recognized in previous years, in which case it shall be reported as a reversal of the revaluation gain recognised in Equity

29.3 The same procedures as for the identification of impaired assets are followed if there is an indication that impairment may have been decreased or reversed. If so, the recoverable amount must be added to the carrying value of the asset.

29.4 The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

### **30. DISPOSAL OF FIXED ASSETS**

30.1 The municipality may not dispose of a capital asset required to provide the minimum level of basic municipal services.

30.2 The Municipality may dispose of assets that are not required to provide the minimum level of basic municipal services provided that:

- a) Municipal manager approves of any transaction below R500,000
- b) The Council approves of any transaction over R500,000
- c) The disposal is conducted in terms of the Municipality's supply chain management policy
- d) The Municipality has considered the fair value of the asset and the economic and community value to be received in exchange for the asset

30.3 The CFO shall use this form to update the fixed asset register upon the disposal of the asset in question

30.4 Transfers to another Municipality or Municipal entity or Government Department in respect of categories of assets approved by National Treasury, shall be approved by Council prior to the transaction, and shall be done at fair value. If the proceeds of the disposal are less than the carrying value recorded in the Fixed Asset Register, such difference shall be recognised as a loss in the income statement of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the department or vote concerned.

### **31. RISK MANAGEMENT**

31.1 The Municipality shall implement asset risk management processes to identify, assess, and mitigate risks associated with asset failure, service disruption, and environmental impacts.

31.2 Critical assets shall be identified and prioritised for maintenance and renewal planning.

### **32. ASSET LIFECYCLE MANAGEMENT**



32.1 The Municipality shall manage assets across their full lifecycle, including planning, acquisition, operation, maintenance, renewal, and disposal.

32.2 Lifecycle requirements shall inform budgeting, planning, and decision-making processes.

32.3 Lifecycle planning shall inform long-term capital investment planning where such frameworks are available

### **33. PERFORMANCE MANAGEMENT**

Key asset performance indicators may be developed and monitored as part of operational asset management practices.

### **34. AVAILABILITY OF ASSET MANAGEMENT POLICY**

A copy of this policy and other relevant documentation should be made available on the municipality website.

### **35. ANNUAL REVISION OF POLICY**

This policy will be subject to an annual review by management to ensure its relevance.

### **36. EFFECTIVE DATE**

This policy comes in effect on date of approval.

Implementation Date	Council Resolution no.	Adopted Date
1 JULY 2026		

Draft