

# Mogalakwena Local Municipality



## Asset Management Policy

---

<b>CONTENTS</b>	<b>PAGE NO.</b>
<b>1 POLICY AUTHORITY AND RESPONSIBILITY.....</b>	<b>3</b>
<b>2 OBJECTIVES.....</b>	<b>3</b>
<b>3 INTRODUCTION.....</b>	<b>3</b>
<b>4 DEFINITIONS.....</b>	<b>4</b>
<b>5 POLICY PRONOUNCEMENTS.....</b>	<b>7</b>
5.1 Constitution of the Republic of South Africa (Act 108 of 1996).....	7
5.2 MFMA Act of 56 of 2003,.....	7
<b>6 RESPONSIBILITIES AND ACCOUNTABILITIES.....</b>	<b>8</b>
6.1 Municipal Manager.....	8
6.2 Chief Financial Officer.....	8
6.3 Managers (Heads of Departments).....	8
6.4 Departmental Asset Controller.....	9
<b>7 ASSET MANAGEMENT PROCESS.....</b>	<b>9</b>
<b>8 ASSET PLANNING.....</b>	<b>10</b>
<b>9 ACQUISITION.....</b>	<b>11</b>
9.1 Asset register.....	11
9.2 Classification of assets.....	11
9.3 Recognition of assets.....	11
9.4 Safeguarding of assets.....	12
9.5 Verification of assets.....	12
9.6 Movement of assets.....	12
<b>10 OPERATION AND MAINTENANCE.....</b>	<b>13</b>
10.1 Depreciation.....	13
10.2 Initial determination of useful life.....	13
10.3 Review of useful life.....	14
10.4 Review of depreciation method.....	14
10.5 Subsequent expenditure on property, plant or equipment.....	14
10.6 Impairment of assets.....	15
10.7 Subsequent increase in recoverable amount.....	16
10.8 Reinstatement, maintenance and other expenses.....	16
10.9 Other write-offs of fixed assets.....	17
10.10 Asset valuation.....	17
10.11 General maintenance of fixed assets.....	17
<b>11 DISPOSAL OF ASSETS.....</b>	<b>17</b>
11.1 Losses or damages.....	18

## **1 POLICY AUTHORITY AND RESPONSIBILITY**

- Any departures from the approved policies stated in this manual will require the prior written approval from the following authority and persons:

APPROVAL: Mogalakwena Local Municipality: EXCO and Council

MAINTAINED BY: Financial Division: Asset and Fleet Management

IMPLEMENTED BY: Mogalakwena Local Municipality: Departmental Heads.

EXECUTION: Mogalakwena Local Municipality: Departmental Heads and Officials.

SUPPORTED BY: Finance Division: Asset and Fleet Management

- Where an employee is suspected of breaching the policy, an internal investigation will be undertaken, and depending on the outcome, Municipality, civil and/or criminal legal action will be taken against the employee.
- Any disciplinary action arising from breach of this policy will be undertaken according to the disciplinary code and grievance procedure of the Municipality.

## **2 OBJECTIVES**

- To provide proper controls and management systems that will ensure effective, efficient, economical and transparent use of the Municipal assets.
  - proper recording of assets from authorisation to acquisition and to subsequent disposal,
  - setting proper guidelines as to authorised utilisation;
  - prescribing for proper maintenance.
- To establish controls that must ensure proper management of risks associated with ownership and safeguarding of assets.
- To foster accountability and the optimisation of the Municipal assets
- To ensure that municipal officials are aware of their roles and responsibilities regarding the asset management

## **3 INTRODUCTION**

- This policy is intended to define and provide a framework for the Asset Management of the Mogalakwena Local Municipality within the guiding principles of sections 62(1)(a), 63(1)(a) and 63(2)(a) of the Municipal Finance Management Act (MFMA), National Treasury Guidelines, Generally Recognised Accounting Practices (GRAP), Accounting Standards and to promote good financial management practices.
- In order to produce a comprehensive and complete asset register that is compliant to the guidelines above, the Chief Financial Officer must ensure that the Municipality maintains an Asset Identification System which shall be operated in conjunction with its computerised Asset Register.
- This policy is applicable to all offices and officials within the Municipality who utilise and/or manage assets.

## 4 DEFINITIONS

***Accounting Standards Board***

was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.

***Amortisation***

is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

***Asset:***

a resource controlled by the Municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the Municipality.

***Asset Acquisition Plan:***

a plan setting out the asset needs for a particular office which is aligned to the Strategic Plan and the budget for a specific financial year.

***Asset category***

are the asset categories as per the Fixed Asset Register.

***Asset Clerk:***

The person responsible for maintaining the Asset Register through the input of data.

***Asset Controller:***

the person responsible for the asset management in a specific component.

***Asset Disposal Committee:***

a committee appointed by the Municipal manager responsible for assessing and evaluating the reasonableness of the disposal of assets and give recommendation

***Asset Identification System:***

physical labelling system placing an exclusive mark on a movable asset which is used by the Municipality to denote ownership, identify and keep track of its assets.

***Asset Manager:***

the person responsible for asset management for the Municipality.

***Asset Register:***

data source that records information on individual assets. The recorded information must include the asset description, unique asset number, location, total cost, category, etc.

***Asset threshold:***

all assets costing less than R250.00 will be classified as minor assets.

***Bid adjudication Committee:***

a committee appointed by the Municipal Manager responsible for the procurement of goods and services.

***Capitalisation***

is the recognition of expenditure as an Asset in the Fixed Asset Register.

***Basic municipal service***

means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

***Capital Asset:***

an asset that can be used continuously and repetitively in production

for at least one year and of which future economic benefits or service potential is expected to flow to the Municipality.

**Carrying amount:** is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation and any impairment losses thereon.

**Control items** Are items of assets that are not significant enough for financial recognition but are valuable enough to warrant special safe-guarding.

**Cost:** The purchase price of the asset plus the cost of activities (cash or equivalent or fair value) necessarily incurred to bring the asset to the condition and location essential for its intended use (e.g. purchase price plus delivery and installation).

**Municipality:** Mogalakwena Local Municipality in Limpopo Province

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

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

**Useful life:** Either the period of time over which an asset is expected to be used by the entity, or  
the number of production or similar units expected to be obtained from the asset by the entity.

**End User Assets holder :** the person utilising the asset.

**Future Economic Benefit:** the potential to contribute directly or indirectly to the flow of cash or cash equivalents to the Municipality, or in providing a service to another party.

**Intangible Asset:** an identifiable asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. An intangible asset can be either a capital or a minor asset. E.g. software, trademarks, licenses, mineral rights, etc.

**Location:** an room in a specified building, or a confined area, with a definite physical address.

**Minor Asset:** an asset costing less than R250.00 which must be recorded in the Asset Register, but will be fully expensed in the year of acquisition, and not depreciated over its useful life.

**Movement:** the transfer of an asset between locations within the Municipality.

**Receiving Official:** the person who accepts delivery of the asset.

**Asset Manager:** the person responsible for the Municipal asset management.

<b>Service Potential:</b>	the capacity of an asset, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the Municipality.
<b>Straight-line method of depreciation:</b>	constant depreciation charge over the useful life of the capital asset calculated on its cost.
<b>Tangible Asset:</b>	an asset physical in nature, and can be either capital or minor, and can be moveable or immovable.
<b>Infrastructure Assets:</b>	assets that are part of a network of similar assets. Examples are roads, water reticulation schemes sewerage purification works.
<b>Community Assets:</b>	assets that contribute to the community's well-being. Examples are parks, libraries and fire stations.
<b>Heritage Assets:</b>	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.
<b>Investment Properties:</b>	is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, Examples are office parks and undeveloped land acquired for resale in future years as well as vacant land with an undetermined use.
<b>Residual Value:</b>	the net amount that the Municipality expects to obtain for an asset at the end of its useful life after deducting the expected cost of the disposal.
<b>Fair Value:</b>	the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
<b>Recoverable Amount:</b>	the amount that the Municipality expects to recover from future use of an asset, including its residual value on disposal.
<b>Finance Lease:</b>	a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset from the lessor to the lessee.
<b>"Prescribe"</b>	means as prescribed by the Minister of Finance by regulation.
<b>"Property, plant and equipment" (PPE)</b>	Means tangible assets that: <ul style="list-style-type: none"><li>• 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</li><li>• are expected to have a useful life extending for more than one financial year.</li></ul>
<b>Cash generating assets</b>	Cash-generating assets are assets held with the primary objective of generating a commercial return.
<b>Non-cash generating assets</b>	Non-cash-generating assets are assets other than cash-generating assets.
<b>"Impairment loss" of a cash-generating</b>	is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**asset**

**“Impairment loss” of a noncash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

## **5 POLICY PRONOUNCEMENTS**

### **5.1 Constitution of the Republic of South Africa (Act 108 of 1996)**

- Section 216 of the Constitution of the Republic of South Africa (Act 108 of 1996), provide for the establishment of a National Treasury which must prescribe measures to ensure that there is both transparency and expenditure control in each sphere of government through the introduction of Generally Recognized Accounting Practice (GRAP), uniform expenditure classification and uniform Treasury Norms and Standards.

### **5.2 MFMA Act of 56 of 2003,**

- Section 62 (1) (a): The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically
- Section 63 (1) (a): The accounting officer of a municipality is responsible for management of the assets of the municipality, including the safeguarding and the maintenance of those assets
- Section 63 (2) (a): The accounting officer for the purpose of section 63 (1) take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for assets and liabilities of the municipality.
- Section 65 (1) and (2) (a) to (i) requires that the accounting officer keep full and proper records of the financial affairs of the entity and places the responsibility for producing annual financial statements, that will fairly reflect the financial position of the entity as well as its financial performance, on the accounting officer.
- Sections 15(a), read with 16 (1) and (3) and 28 (1),(2),(5) and (6) and 69(1) and (2) requires further that the annual budget must reflect the estimates of current and capital expenditure per vote and per main division, and in relation to capital expenditure reflect the impact thereof on future financial years

### **5.3 Accounting Standards**

- This policy complies with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:
  - GRAP 17 Property, plant or equipment
  - GRAP 16 Investment property
  - GRAP 100 Non-current Assets held for Sale and Discontinued Operations
  - GRAP 102 Intangible assets
  - GRAP 103 Heritage Assets

This policy does not overrule the requirement to comply with other policies such as Supply Chain Management or Budget related policies.

## **6 RESPONSIBILITIES AND ACCOUNTABILITIES**

### **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:

- Safeguarding and maintenance of assets.
- Implementation of an accounting and information system that accounts for the assets.
- Ensuring that assets are valued in terms of generally recognised accounting practice.
- Maintaining a system of internal control of assets (e.g. an asset register).
- The **Municipal Manager** may delegate this functions 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 chief financial officer must take all reasonable steps to ensure that:

- Appropriate systems of financial management and internal controls are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- 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;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilized through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- The Managers are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;

### **6.3 Managers (Heads of Departments)**

- The Heads of Department must take all reasonable steps to ensure that:
- Appropriate systems of physical management and controls are established and carried out for assets in their areas of responsibility;
- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- The assets under their control are appropriately safeguarded and maintained to the extent necessary and that risk management systems are in place and applied.
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;



- Their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives.
- The purchase of assets complies with all municipal policies and procedures.
- All movable property, plant and equipment is duly processed and identified when it is received into his/her stewardship.
- All movable assets received into his/her stewardship are appropriately safeguarded against inappropriate use or 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 Chief Financial Officer.
- Assets are appropriately utilized for the purpose for which the municipality acquired them.
- In addition, the **Managers (Heads of Departments)** are responsible to ensure that all employees within their respective department adhere to the approved Asset Policy and Procedures. The Head of Department must nominate an employee to implement and maintain asset control (i.e. Departmental Asset Controller) in his/her department

#### **6.4 Departmental Asset Controller**

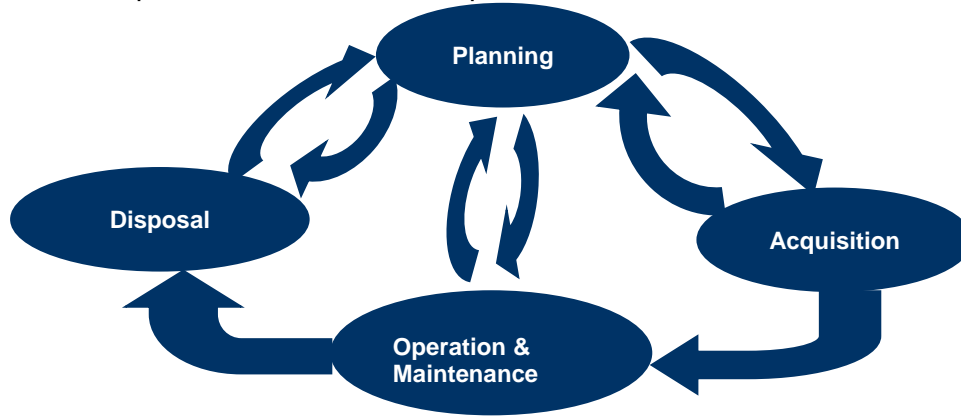
The Departmental Asset Controller under the supervision and authority of the Head of Department must ensure that:

- All information needed by the Budget and Treasury Office to compile and update the Asset Register, is submitted to the Chief Financial Officer.
- The Head of Department and Chief Financial Officer (after approval of the Head of Department) is notified of any changes in the status of the assets under the departments' control (e.g. new asset purchases, asset transfers, asset impairments and asset disposals).
- The inventory and/or assets of the Mogalakwena Municipality are not used for private enterprise and gain by any employee/Councillor.
- Control is exercised over the respective department's assets and shall report any enhancement/improvement, transfer or disposal of the respective department's assets to the Budget and Treasury Office.
- Relevant reports on the writing off of scrap (in case of vehicles) and the theft/loss (in the case of other assets) are submitted to the Chief Financial Officer.
- Any discrepancies in the asset stock take report are followed up.
- All assets within the department are recorded on the asset register and are bar coded.
- Administer cyclical counts on assets within the respective department and follow up on any discrepancies.

## **7 ASSET MANAGEMENT PROCESS (STRUCTURE)**

- Asset Management is the process of guiding all the key asset management activities undertaken to make the most of asset service delivery potential and the management of the related risks and costs over the entire asset life cycle.
- The asset life cycle embraces the following inter-related processes or phases:

- Planning deals with definition of asset;
- Acquisition deals with the recognition, measurement and valuation of assets;
- Operation and Maintenance deals with maintenance, refurbishment, enhancement and depreciation of the asset; and
- Disposal deals with asset disposals.



## 8 ASSET PLANNING

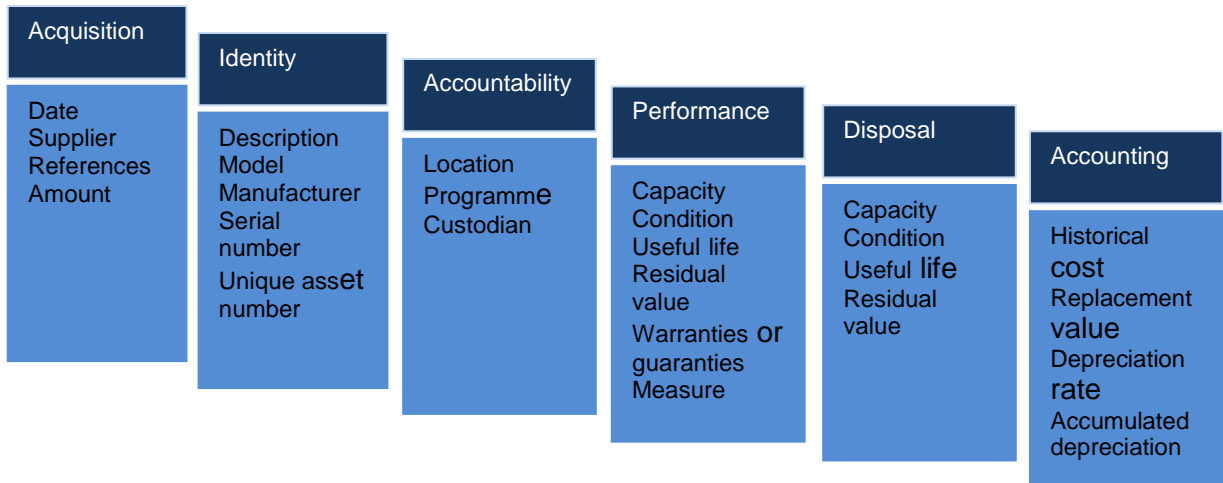
- The Municipality shall develop asset strategies covering the acquisition, safeguarding, maintenance, refurbishment, redeployment and disposal together with the capital and operating cost
- Asset Planning shall be the process through which the asset requirements of a municipality are matched to service delivery requirements.
- Asset Planning shall be informed by the principle that a public institution shall not hold assets unless it is reasonably necessary for the economical, effective and efficient delivery of services.
- Managers must align activities in the Strategic Plan and the budgetary allocations with the asset requirements of the office and develop an Asset Acquisition Plan.
- The Asset Acquisition Plan must be informed by the future service or economic benefits to be derived directly or indirectly from the asset in support of service delivery.
- A cost-benefit analysis must be conducted when determining whether a major asset should be leased, purchased, transferred from another entity or obtained through a Public Private Partnership.
- The Asset Acquisition Plan must detail all assets that will be purchased and/or leased in a particular financial year with expenditure projections for each month of that year.
- The Managers are required to approve the Asset Acquisition Plan prior to the commencement of any purchases of assets.
- Asset Budgeting shall be the process through which the Asset Planning Strategy is financially quantified and shall entail allocating financial resources to the Asset Planning Strategy.
- Asset Budgeting must be conducted to include the asset life cycle stages, i.e. Acquisition, Operation, Transfers, Maintenance and Disposal.
- It is the responsibility of the Heads of departments to communicate the Asset Budgeting Strategy to the Chief Financial Officer within the municipality.

**9 ACQUISITION**

- The decision to acquire asset shall be informed by both the Asset Planning Strategy and Asset Budgeting Strategy.
- The descriptions utilised for the asset that is being acquired must be consistent with the Standardised Asset Description Lists of the Municipality.
- Asset descriptions can only be created after obtaining the approval of the Chief Financial Officer.

**9.1 Asset register**

- The municipality shall maintain an asset register in a format determined by the Chief Financial Officer. The format must comply with GRAP and any other applicable standards.
- The asset register shall contain the following data relating to the movable assets:



**9.2 Classification of assets**

- Assets that are recognised under this policy will be classified in according to the categories as per fixed asset register.
- All fixed assets should be classified under the following headings in the asset register
- Property Plant and equipment
  - Land
  - Buildings
  - Infrastructure assets
  - Other assets
- Intangible assets
- Heritage assets
- Investment property
  - Investment assets

**9.3 Recognition of assets**

- Assets will only be capitalised as an asset in the balance sheet when the following criteria are met.
- Future economic benefits or potential service delivery associated with the asset will flow to Mogalakwena Municipality.
- The cost of the asset can be measured accurately.
- All risks and rewards relating to an asset item have been passed to Mogalakwena Local Municipality and therefore Council controls the asset item.
- A valid invoice to Council or other transfer document that transfers ownership to Council exists.
- A self constructed asset with a lifespan of more than a year will be capitalised as an asset when all criteria for an asset stated on 15.1 has been met. The total cost of construction of the assets will be capitalised. Example of the cost are
  - Cost of employee benefits arising from construction of the assets
  - Cost material allocated for the construction
  - Cost of site preparation if any
  - Professional fees incurred in the construction
  - Improvement on assets will be capitalised if the improvement increase the value and capacity of the asset otherwise it will be written off as repair and maintenance.
  - Building infrastructure improvement: removable items such as the air conditioners, curtains and etc will be capitalised separately from the cost of improvement on building and bar coded as such.

#### **9.4 Safeguarding of assets**

- The responsibility for the safeguarding of assets vests with each official to whom assets have been allocated.
- Every asset holder will be directly responsible for ensuring that all assets are properly maintained in a manner which will ensure that such assets attain their useful operating lives.
- All assets used by employees must be returned upon termination of employment.

#### **9.5 Verification of assets**

- Movable Assets
  - All movable assets must be physically verified and confirmed at least once in a Financial Year.
  - The physical verification must be performed by either the physical scanning of the barcode attached to an asset or manually verified.
  - The verified information must be reconciled to the Asset Register.
  - The Chief Financial Officer must approve all adjustments that will correct the identified variances.
- Immovable Assets
  - Immovable assets will be verified on a periodic basis.

#### **9.6 Movement of assets**

- All movements of assets must be duly authorised by the asset manager.
- All movements of assets together with the relevant authorisation must be recorded in the Asset Register.

## **10 OPERATION AND MAINTENANCE**

### **10.1 Depreciation**

- All fixed assets, except land and heritage assets, shall be depreciated.
- The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.
- The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by the municipality.
- The depreciation charge for each period will be recognized as an expense against the budget of the relevant Head of Department unless it is included in the carrying amount of another asset.
- The depreciation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.
- A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.
- The depreciation method will be the straight-line method unless otherwise agreed to in writing by the Chief Financial Officer.
- Depreciation shall be calculated from the day the fixed asset is available for use (GRAP 17).
- Heads of Departments, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the directorate in question or expected to be so controlled or used during the ensuing financial year.
- The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

### **10.2 Initial determination of useful life**

- Heads of Departments needs to determine the useful life of a particular item or class of asset through the development of a strategic asset management plan. The determination of useful life should be developed as part of any pre-acquisition planning that would consider, inter alia, the following factors:
- The program that will optimise the expected long term costs of owning that asset,
- Economic obsolescence because it is too expensive to maintain,

- Functional obsolescence because it no longer meets the municipality's needs,
- Technological obsolescence,
- Social obsolescence due to changing demographics, and
- Legal obsolescence due to statutory constraints.
- The Table of Useful Lives is provided in Annexure A (as based on the MFMA Local Government Capital Asset Management Guideline). These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.

### **10.3 Review of useful life**

- Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the Chief Financial Officer shall inform the council of the municipality of such amendment.
- 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.
- The useful life of an item of property, plant or equipment should be reviewed annually by the relevant Director and if these revised expectations are significantly different from previous estimates, then the depreciation charge for the current and future periods should be adjusted by the Chief Financial Officer and the additional depreciation expenses shall be debited to the directorate or vote controlling or using the fixed asset in question.

### **10.4 Review of depreciation method**

- The depreciation method applicable to property, plant or equipment should be reviewed annually, and if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.
- When such a change in depreciation method is necessary the change should be accounted for as a change in accounting and the depreciation charge for the current and future periods should be adjusted.

### **10.5 Subsequent expenditure on property, plant or equipment**

- Subsequent expenditure relating to an item of property, plant or equipment that meets the definition of an asset should be added to the carrying amount of the asset when such expenditure will increase the useful life of the asset or increase the efficiency of the asset or reduce the cost of operating the asset, resulting in financial or service delivery benefits.
- All other expenditure should be recognized as an expense in the period in which it occurred.
- Before allowing the capitalization of subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure will significantly:
  - Increase the life of that asset beyond that stated in the asset register, or
  - Increase the quality of service provided by that asset beyond the existing level of service, or
  - Increase the quantity of services that asset can provide, or

- Reduce the future assessed costs of maintaining that asset.
- Expenditure that is proposed to be capitalized must also conform to recognition criteria for assets and should also be appropriately included in the approved capital budget.

### **10.6 Impairment of assets**

The accounting treatment relating to impairment losses is outlined as follows in GRAP 21 and GRAP 26:

The carrying amount (Book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

The recoverable amount of cash generating assets and the recoverable service amounts of non-cash generating assets is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately.

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

The following may be indicators that assets have become impaired:

- The asset has been damaged.
- The asset has become technologically obsolete.
- The asset remains idle for a considerable period either prior to it being put into use or during its useful life.
- Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.

#### **The following steps will have to be performed regularly during the year to account for impairment losses:**

- Departments will identify and inform Finance - Asset Control of assets that:
  - Are in a state of damage at year end.
  - Are technologically obsolete at year end.
  - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
  - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is land that is purchased at market value and is to be utilized for subsidized housing developments.
- The recoverable amounts or recoverable service amounts of assets are calculated as the larger of the assets net realisable value and its value in use.
- Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal as defined above.

- The value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. recoverable amount is the net present value of future ownership.
- Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.
- The impairment loss needs to be accounted for by identifying the relevant funding source.
- The carrying amount of an asset should be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount.
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.
- The amount of the reduction (where the carrying amount exceeds the assets' recoverable amount or recoverable service amount) should be recognized as an Impairment expense immediately, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Reserve.

**10.7 Subsequent increase in recoverable amount**

- • A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount, should be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- The amount written back should be reduced by the amount that would have been recognized as depreciation had the write-down or write-off not occurred.

**10.8 Reinstatement, maintenance and other expenses**

- 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.
- Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.
- Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure: -

<ul style="list-style-type: none"> <li>• Capital expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance</li> </ul>
<ul style="list-style-type: none"> <li>• Acquiring a new asset</li> <li>• Replacing an existing asset</li> <li>• Enhancing an existing asset so that its use is expanded</li> </ul>	<ul style="list-style-type: none"> <li>• Restoring an asset so that it can continue to be used for its intended purpose</li> <li>• Maintaining an asset so that it can be used for the period for</li> </ul>



<ul style="list-style-type: none"><li>• Further developing an existing asset so that its original useful life is extended</li></ul>	which it was initially intended.
---	----------------------------------

**10.9 Other write-offs of fixed assets**

- The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.
- In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such directorate or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

**10.10 Asset valuation**

- The municipality has elected to account for the value of their assets on the Cost model.
- The carrying value of an asset in the Asset Register at any given time shall be recognized as the total original purchase price after accounting for depreciation, impairment and revaluations.
- The total original purchase price shall be determined using the purchase price per supplier invoice. In case of old assets historical cost, or if the historical cost cannot be determined, fair value (replacement cost, realizable value or present value) can be used to determine the valuation of the asset. This fair value will be deemed to be cost.
- Assets must be depreciated, in line with the Municipal elected method, on a monthly basis, taking into account the useful life per Annexure A, of this policy, and the residual value of the asset.
- The residual value of an asset should be reviewed at least at each reporting date. If the review indicates that a change has taken place and expectations differ from previous estimates, the changes should be accounted for as a change in the accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.
- The Asset Register must provide the basis for the amounts in the financial statements.
- The reconciliation of the Asset Register against the Procurement and Financial Systems must be done on a monthly basis.
- The detailed disclosure requirement in the Annual Financial Statements must be in line with GRAP and National Treasury guidelines.

**10.11 General maintenance of fixed assets**

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

**11 DISPOSAL OF ASSETS**

- The Municipality shall have an Annual Disposal Plan for assets to minimize redundant assets.
- The Disposal Plan shall establish the rationale for the anticipated time and method of disposal, and the expected proceeds.
- Asset disposal decisions shall be made within an integrated service and financial planning framework.

- No asset shall be sold at a value which is below its carrying Net Value in the Asset Register without the approval of council.
- The appropriate method of disposal shall be Public Auction or Public Tender.
- There shall be an elected Asset Disposal Committee (ADC) whose responsibility shall be to assess assets ring-fenced for disposal, obtain approval as per Municipal Delegations.
- All assets disposed should be removed from the Asset Register.

**11.1 Losses or damages**

- All officials are responsible for reporting any loss of or damage to an asset to the asset management officer within 1 working day of such loss or damage.
- All losses of assets or damages to assets must be dealt with according to the Loss Control Policy of the Municipality.
- All losses of assets or damages must be recorded in the Asset Register.



MOGALAKWENA MUNICIPALITY

# Appendices

---



**Appendix A: Useful lives - Estimated useful lives per category of asset are as follows:**

ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	ESTIMATED USEFUL LIFE IN YEARS
INVESTMENT PROPERTY	INVESTMENT PROPERTY	INVESTMENT PROPERTY	INVESTMENT PROPERTY BUILDINGS		5-15
			INVESTMENT PROPERTY LAND		30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	HV - NETWORK	AUXILIARIES & BATTERIES	45
				CIVILS	30
				CIVILS - BAYS : GRAVEL (PER BAY)	50
				CIVILS - BAYS : STREEL STUCTURES (PER BAY)	50
				CIVILS - BAYS : TRENCHING (PER BAY)	50
				CIVILS - BUILDINGS	50
				CIVILS - FENCING (PALISADE/MESH/BRICK)	10
				CIVILS - GIS BAY	45
				CIVILS - SITE ACCESS ROADS	15
				CIVILS - SITE LAND	0
				CIVILS - SITE LIGHTING	15
				CIVILS - SITE PARKING	15
				CIVILS - TRANSFORMER BAY	45
				LINES - OVERHEAD LINES NEC/NER AUXILIARY TRANSFORMERS ETC	40
				PROTECTION	50
				TRANSFORMERS	10
				UNDERGROUND CABLES	50
					45
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	HV - SUB-STATION EQUIPMENT	BREAKERS	45
				BUS COUPLERS	45
				BUSBARS	45
				CAPACITOR BANK	45
				CURRENT TRANSFORMERS	45
				EARTH SWITCHES	45
				FEEDER BAYS	45
				ISOLATORS	45
				REACTORS	45
				SURGE ARRESTORS	45
				SVC	45
				TRANSFORMER BAYS	45
				VOLTAGE TRANSFORMERS	45

ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	ESTIMATED USEFUL LIFE IN YEARS
PROPERTY, PLANT AND	INFRASTRUCTURE ASSETS	ELECTRICITY	LV - NETWORK	CTVT METERING UNIT	50



<b>EQUIPMENT</b>					
				DISTRIBUTION/PILLAR BOXES	15
				ELECTRICITY METERS	20-25
				CONDUCTOR	40
				PUBLIC LIGHTING	10
				LINES - OVERHEAD LINES	40
				PREPAID VENDING MACHINES	15
				SERVICE CONNECTORS	25
				STREET LIGHTS	40
				TRANSFORMERS	40
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	<b>ELECTRICITY</b>	<b>MV - NETWORK</b>		
				CABLES (UNDERGROUND)	50
				CIVILS	30
				CIVILS - BAYS : GRAVEL (PER BAY)	50
				CIVILS - BAYS : STREEL STUCTURES (PER BAY)	50
				CIVILS - BAYS : TRENCHING (PER BAY)	50
				CIVILS - BUILDINGS	50
				CIVILS - FENCING (PALISADE/MESH/BRICK)	10
				CIVILS - SITE ACCESS ROADS	15
				CIVILS - SITE LAND	0
				CIVILS - SITE LIGHTING	15
				CIVILS - SITE PARKING	15
				LINES - OVERHEAD LINES	40
				MINI SUB-STATION	40
				POLE MOUNTED TRANSFORMER	40
				RECLOSER	40
				SWITCH STATION	30
				SWITCH GEAR	30
				TRANSFORMERS	40

**Mogalakwena Municipality: Asset management Policy Appendices**



ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	ESTIMATED USEFUL LIFE IN YEARS
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV SUB-STATION EQUIPMENT	33KV/LINE SUPPORT	40
				BATTERY	45
				BREAKERS	45
				BUILDING	30
				BUSHBAR	45
				BUSHBAR ISOLATOR	45
				BUSHBAR SUPPORT	45
				CAPBANK	45
				CIRCUIT BREAKER	45
				CONDUCTOR	40
				ELECTRICITY METERS	45
				EXTERNAL LIGHTING	40
				ISOLATOR & EARTH SWITCH	45
				NEC/NER/AUX	50
				NEUTRAL EARTHING RESISTOR	45
				PERIMETER PROTECTION	10
				POLE TRANSFORMER	40
				PROTECTION PANEL DESIGN	40
				ROAD SURFACE	30-40
				STATIC POWER CHARGER	45
SWITCHGEAR	30				
TRANSFORMERS	40				
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	RAILWAYS	RAILWAY	RAILWAY SIDING	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	BRIDGES, SUBWAYS & CULVERTS	BRIDGES PEDESTRIAN CONCRETE	80
				BRIDGES PEDESTRIAN STEEL	50
				BRIDGES PEDESTRIAN TIMBER	40
				BRIDGES VEHICLES CONCRETE	80
				BRIDGES VEHICLES STEEL	50
				BRIDGES VEHICLES TIMBER	40
				CULVERTS ARCO	40
				CULVERTS CONCRETE	60
				SUBWAYS	80
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	BUS TERMINALS	PLATFORM TICKET OFFICE	25
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	FOOTPATHS	FOOTPATHS BRICKED	50
				FOOTPATHS CONCRETE	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	TELKOM SLEEVES		20



**Mogalakwena Municipality: Asset Management Policy Appendices**

<b>ACCOUNTING GROUP</b>	<b>ACCOUNTING CATEGORY</b>	<b>CATEGORY</b>	<b>GROUP</b>	<b>DESCRIPTION</b>	<b>Estimated useful life in years</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	ROADS	<b>ROAD STRUCTURES</b>	GUARD RAILS	30
				KERBING	50
				PARKING BAYS	15
				BRICK	15
				PAVEMENTS	15
				ROAD BASE STRUCTURE	50
				ROAD SURFACE	10-40
				WASTE BIN	20
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	ROADS	<b>STORM WATER</b>	CATCH PIT	60
				CHANNELS	60
				CULVERTS	60
				GRID INLETS	60
				STOR MWATER CHANNEL	60
				STORM WATER PIPES	60
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	ROADS	<b>TAXI RANKS</b>	TAXI RANK CANOPY	15
				TAXI WAY	15
				TOILETS	15
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	ROADS	<b>TRAFFIC MANAGEMENT</b>	COMMUTER SHELTERS	10
				MINI TRAFFIC CIRCLES	40
				PARKING METERS	10
				ROAD SIGNS	5
				SPEED BUMPS	40
				STREET LIGHTS	40
				STREET TREES	10
				TRAFFIC ISLANDS	30
				TRAFFIC LIGHTS	15

Mogalakwena Municipality: Asset management Policy Appendices



ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	Estimated useful life in years
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SEWER	BULK DISTRIBUTION	PIPELINES	40
				VALVES	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SEWER	COLLECTION / RETICULATION NETWORK	GRAVITY SEWER PIPES (INCL MANHOLES)	40
				RISING MAIN SEWER PUMP LINE	40
				SERVICE CONNECTIONS	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SEWER	OXIDATION PONDS	OXIDATION PONDS	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SEWER	SEWERAGE PUMP STATIONS	BUILDINGS	30
				CIVILS	30
				DISTRIBUTION / PILLAR BOXES	15
				ELECTRICAL PLANT	15
				MECHANICAL PLANT	15
				PERIMETER PROTECTION	10
				PIPE WORKS	30-40
				SEWER PUMPS	15
				TELEMTRY	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SEWER	VIP TOILETS	VIP TOILETS	5
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SEWER	WASTE WATER TREATMENT WORKS (PLANT)	BUILDING	30-80
				CAGE	30
				DISTRIBUTION / PILLAR BOXES	15
				ELEVATED STORAGE	5
				EXTERNAL LIGHTING	40
				FLOW METERS	20
				GUARD RAILS	30
				LV CONDUCTER	40
				MV MINI-SUB STATION	40
				MV POLE TRANSFORMERS	40
				PAVEMENTS	15
				PEDESTRIAN BRIDGE	50
				PERIMETER PROTECTION	10
				PIPE WORKS	20-30
				PUBLIC LIGHTING	10
SEWER PUMPS	15				
VEHICLE BRIDGE	80				





<b>ACCOUNTING GROUP</b>	<b>ACCOUNTING CATEGORY</b>	<b>CATEGORY</b>	<b>GROUP</b>	<b>DESCRIPTION</b>	<b>Estimated useful life in years</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	SOLID WASTE	<b>COLLECTION</b>	BINS	20
				COLLECTION VEHICLES	10
				COMMUNITY BINS	20
				SKIPS	20
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	SOLID WASTE	<b>LANDFILL SITES</b>	EARTHMOVING AND COMPACTION EQUIPMENT	15
				PERIMETER PROTECTION	25-30
				SITE PREPARATION	55
				LANDFILL SITE STRUCTURE	34
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	SOLID WASTE	<b>TRANSFER STATIONS</b>	CIVILS - SITE LAND	0
				CIVILS - SITE LIGHTING	15
				CIVILS - SITE PARKING	15

Mogalakwena Municipality: Asset management Policy Appendices



ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	Estimated useful life in years
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BULK DISTRIBUTION	METERS & TELEMTRY	20
				PIPE LINES	20
				VALVES	20
				WATER RIGHTS	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	BOREHOLES	30
				DISTRIBUTION / PILLAR BOXES	15
				PERIMETER PROTECTION	10
				PIPE WORKS	15-30
				TELEMTRY	20
				WATER PUMPS	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	DISTRIBUTION / RETICULATION NETWORK	PIPE LINES	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	FIREHYDRANTS	FIREHYDRANTS	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	METERS	METERS	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	PUMP STATION	BUILDINGS	30
				CIVILS	30
				ELECTRICAL PLANT	15
				MECHANICAL PLANT	15
				TELEMTRY	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STANDPIPES	STANDPIPES	5
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	DAM CONCRETE WALL	80
				DAM EARTH WALL	30
				DAM SLUICE GATE	15
				RESERVOIRS CIVILS	30
				RESERVOIRS ELECTRICAL	15
				RESERVOIRS MECHANICAL	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	VALVES	BULK DISTRIBUTION	15
				MAIN LINE	15
				PUMP STATION	15
				RESERVOIRS	15
				VALVE CHAMBERS	30



**Mogalakwena Municipality: Asset Management Policy Appendices**

<b>ACCOUNTING GROUP</b>	<b>ACCOUNTING CATEGORY</b>	<b>CATEGORY</b>	<b>GROUP</b>	<b>DESCRIPTION</b>	<i>Estimated useful life in years</i>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>INFRASTRUCTURE ASSETS</b>	WATER	<b>WATER TREATMENT WORKS</b>	BUILDINGS	30
				CIVILS	30
				ELECTRICAL PLANT	15
				MECHANICAL PLANT	15
				STRUCTURE	15-30
				TELEMETRY	10
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>LAND AND BUILDINGS</b>	BUILDINGS	<b>DWELLINGS</b>	CHILDREN'S HOMES	25
				HOMES FOR THE AGED	25
				HOSTELS FLATS	25
				HOSTELS ROOMS	25
				HOUSING SCHEMES: FLATS	25
				HOUSING SCHEMES: HOUSES	25
				MOBILE HOMES	5
				OLD AGE HOMES	30-50
				PLACES OF SAFETY	25
				PRISONS AND REHABILITATION FACILITIES	25
				RECREATIONAL/HOLIDAY ACCOMMODATION	25
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>LAND AND BUILDINGS</b>	BUILDINGS	<b>NON RESIDENTIAL STRUCTURES</b>	ABLUTION/PUBLIC FACILITIES	20-30
				AIRPORTS AND ASSOCIATED BUILDINGS	25
				ANIMAL CARE CENTRES	25
				BUS TERMINALS	25
				CAR PORTS	10
				CHEMICAL STORAGE ROOMS	50
				CIVIC THEATERS	25
				CLINICS AND COOMUNITY HEALTH FACILITIES	25
				COMMUNITY CENTRES AND PUBLIC ENTERTAINMENY FACILITIES	30
				DRIVER AND VEHICLE TESTING STATIONS	30
				EDUCATIONAL FACILITIES	25
				ELECTRICAL EUIPMENT	15
				FACILITIES (FIELDS ETC)	25
				FENCING	10
				FIRE STATIONS PERIMETER PROTECTION	30
					5-40

Mogalakwena Municipality: Asset management Policy Appendices



ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	Estimated useful life in years
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	BUILDINGS	NON RESIDENTIAL STRUCTURES	LABORATORIES	25
				LIBRARIES	30
				MARKETS/SHOPS	30-50
				MORTUARIES	25
				MUSEUMS AND ART GALLERIES	30
				NURSERIES	30
				OFFICE BUILDINGS	25
				STRUCTURES FOR AGRICULTURAL PURPOSES	20-30
				PUBLIC PARKING FACILITIES	15
				RAILWAY AND ASSOCIATED BUILDINGS	25
				RESEARCH FACILITIES	25
				SPORT AND RECREATIONAL FACILITIES	10-30
				STADIUMS	20-40
				TAXI RANKS	15
				WAREHOUSE	25
				WORKSHOPS AND STORE ROOMS	25
				PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	LAND	MUNICIPAL LAND	DEVELOPED LAND	30
				UNDEVELOPED LAND	30
PROPERTY, PLANT AND EQUIPMENT	MACHINARU AND EQUIPMENT	OTHER	MACHINARY AND EQUIPMENT	AUDIOVISUAL EQUIPMENT	10
				BUILDING AIR CONDITIONING SYSTEMS	15
				CELLULAR PHONES	2
				CELLULAR ROUTERS	5
				DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES)	5
				ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT (COMPRESSORS / GENERATORS)	7
				EMERGENCY / RESCUE EQUIPMENT	10
				ELEVATOR SYSTEMS	20
				FARM / AGRICULTURAL EQUIPMENT	15
				FIRE FIGHTING EQUIPMENT	5
				GARDENING EQUIPMENT	4
				IRRIGATION EQUIPMENT	15
				KITCHEN APPLIANCES	10



**Mogalakwena Municipality: Asset Management Policy Appendices**

ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	Estimated useful life in years
				LABORATORY EQUIPMENT	7
				AGRICULTURAL LABORATORY EQUIPMENT MEDICAL TESTING	7
				LABORATORY EQUIPMENT ROADS AND TRANSPORT	7
				LAUNDRY EQUIPMENT AND INDUSTRIAL SEWING MACHINES	15
				LEARNING, TRAINING SUPPORT AND LIBRARY MATERIAL	10
				MACHINES FOR METALLURGY	10
				RAIL MACHINES FOR TEXTILE PRODUCTION	15
				MEDICAL AND ALLIED EQUIPMENT	10
				MUSIC INSTRUMENTS PHOTOGRAPHIC EQUIPMENT	7
				PUMPS, PLUMING, PURIFICATION AND SANITATION EQUIPMENT	10
				RADIO EQUIPMENT	7
				ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT	15
				SADDLES AND OTHER TACK	7
				SECURITY EQUIPMENT/ - SYSTEMS / - MATERIAL FIXED	5-10
				SECURITY EQUIPMENT/ - SYSTEMS / - MATERIAL MOVABLE	5
				SHIP AND MARINE EQUIPMENT	10
				SPORT AND RECREATIONAL EQUIPMENT	10
				SURVEY EQUIPMENT	7
				TELECOMMUNICATION EQUIPMENT	5
				TENTS, FLAGS AND ACCESSORIES	10
				WOODWORKING MACHINERY AND EQUIPMENT	10
				WORKSHOP EQUIPMENT AND LOOSE TOOLS FIXED	10
				WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVABLE	5
PROPERTY, PLANT AND EQUIPMENT	FURNITURE AND OFFICE EQUIPMENT	OTHER	FURNITURE AND OFFICE EQUIPMENT	ADVERTISING BOARDS	5
				AIR CONDITIONERS	
				INDIVIDUAL FIXED AND MOVABLE	5

Mogalakwena Municipality: Asset management Policy Appendices



ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	Estimated useful life in years
				CUTLERY AND CROCKERY	10
				DOMESTIC AND HOSTEL FURNITURE	15
				LINEN AND SOFT FURNISHING	10
				OFFICE EQUIPMENT INCLUDING FAX MACHINES	7
				OFFICE FURNITURE	7
				PAINTINGS SCULPTURES ORNAMENTS	10
PROPERTY, PLANT AND EQUIPMENT	COMPUTER EQUIPMENT	OTHER	COMPUTER EQUIPMENT	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	5
				COMPUTER NETWORKS	10
PROPERTY, PLANT AND EQUIPMENT	TRANSPORT ASSETS	OTHER	TRANSPORT ASSETS	AIRCRAFT	15
				AIRCRAFT ENGINES	7
				AIRPORT TRANSPORT EQUIPMENT	15
				BUSSES	15
				CYCLES	7
				EMERGENCY VEHICLES	10
				MOBILE CLINICS	15
				MOTOR VEHICLES	7
				RAILWAY ROLLING STOCK	15
				TRAILERS AND ACCESSORIES	10
				TRUCKS	7
HERITAGE ASSETS	HERITAGE ASSETS	HERITAGE ASSETS	HERITAGE ASSETS	AREAS OF LAND OF HISTORIC OR SPECIFIC SIGNIFICANCE	n/a
				CULTURALLY SIGNIFICANT BUILDINGS	n/a
				NATIONAL MONUMENTS	n/a
				NATIONAL PARKS / RESERVES	n/a
				PAINTINGS	n/a
				SCULPTURES / STATUES	n/a
				MUNICIPAL JEWELLERY	n/a
				WORKS OF ART	n/a
				OTHER ANTIQUES AND COLLECTIONS	n/a
INTANGIBLE ASSETS	COMPUTER SOFTWARE	COMPUTER SOFTWARE	COMPUTER SOFTWARE	COMPUTER SOFTWARE	5



## APPENDIX B: RESIDUAL VALUES

Residual Values - Estimated residual values per category of asset are as follows:

CLASS	RESIDUAL VALUE	COMMENT
<b>Land</b>	None	No depreciation on land
<b>Buildings</b>	None	Not trading in open market
Dwellings	None	Not trading in open market
Non Residential	None	Not trading in open market
<b>Infrastructure Assets</b>		
Infrastructure –Electricity	None	Not trading in open market
Infrastructure –Roads	None	Not trading in open market
Infrastructure –Sewer	None	Not trading in open market
Infrastructure –Water	None	Not trading in open market
Infrastructure -Telkom sleeves	None	Not trading in open market
Solid Waste	None	Not trading in open market
- Bins & Containers	R100.00	Scrap metal value
- Collection Trucks	10%	10% of the cost price. The municipality does not replace vehicles after a fixed period, but rather once it has reached the end of its functional life.
<b>Other Assets</b>		
Furniture and Office Equipment	R50.00	Typical internal tender proceed
Machinery and Equipment	R50.00	Typical internal tender proceed
Computer Equipment	None	Computers have no scrap value due to Technology changes. No active market.
Motor Vehicles	10%	10% of the cost price. The municipality does not replace vehicles after a fixed period, but rather once it has reached the end of its functional life.
<b>Heritage Assets</b>	None	No active market
<b>Intangible Assets</b>		
Software	None	Computer software has no scrap value due to Technology changes. No active market.
<b>Any asset with a cost of less than R250.00</b>	None	Will be fully written off in year of acquisition.



**APPENDIX C: FORMS**



MOGALAKWENA MUNICIPALITY

**Asset Disposal Form**

**DATE REQUESTED:** \_\_\_\_\_

**DEPARTMENT** \_\_\_\_\_

**ASSET BARCODE** \_\_\_\_\_

**ASSET DESCRIPTION** \_\_\_\_\_

**ASSET NO (VENUS)** \_\_\_\_\_

**ASSET LOCATION** \_\_\_\_\_

**CLASSIFICATION OF ASSET** \_\_\_\_\_

**SUGGESTED METHOD OF DISPOSAL** \_\_\_\_\_

**CONDITION OF ASSET:** \_\_\_\_\_

**REASON FOR REQUEST FOR DISPOSAL:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**REQUESTING OFFICIAL:**

**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE** \_\_\_\_\_

**HOD RECOMMENDATION:**

**NAME & SURNAME** \_\_\_\_\_

**SIGNATURE** \_\_\_\_\_

**CFO RECOMMENDATION:**

**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE** \_\_\_\_\_

**MM APPROVAL:**

**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_





MOGALAKWENA MUNICIPALITY

**ASSET TRANSFER FORM**

DATE REQUESTED: \_\_\_\_\_

ASSET BARCODE: \_\_\_\_\_

ASSET DESCRIPTION: \_\_\_\_\_

CLASSIFICATION OF ASSET: \_\_\_\_\_

CONDITION OF ASSET: \_\_\_\_\_

REASON FOR TRANSFER: \_\_\_\_\_

<b>CURRENT LOCATION</b> (Approval for the transfer of the asset)	<b>NEW LOCATION</b> (Asset is received and the above details are verified)
<b>DEPARTMENT/LOCATION</b>	<b>DEPARTMENT /LOCATION</b>
<b>NAME OF BUILDING</b>	<b>NAME OF BUILDING</b>
<b>ROOM NUMBER</b>	<b>ROOM NUMBER</b>
<b>TRANSFERRING OFFICIAL</b>	<b>RECEIVING OFFICIAL</b>
<b>TRANSFERRING OFFICIAL SIGNATURE</b>	<b>RECEIVING OFFICIAL SIGNATURE</b>
<b>HOD NAME AND SURNAME</b>	<b>HOD NAME AND SURNAME</b>
<b>HOD SIGNATURE</b>	<b>HOD SIGNATURE</b>
<b>DATE TRANSFERRED</b>	<b>DATE RECEIVED</b>
<b>CHIEF FINANCIAL OFFICER NAME AND SURNAME</b>	
<b>CHIEF FINANCIAL OFFICER SIGNATURE AND DATE</b>	
<b>CAPTURED BY NAME AND SURNAME</b>	
<b>ASSET NO(VENUS)</b>	
<b>DATE CAPTURED</b>	



MOGALAKWENA MUNICIPALITY

# ASSET CLEARANCE FORM

**INVENTORY ITEMS:**  
(See attached list)

---

---

**MOVEABLE ASSETS:**

---

---

---

**RESIGNING OFFICIAL:**  
**NAME AND SURNAME:**

---

---

**SIGNATURE:**

---

---

**DATE:**

**HOD:**  
**NAME AND SURNAME:**

---

---

**SIGNATURE:**

---

---

**DATE:**

**ASSET OFFICER:**  
**NAME AND SURNAME:**

---

---

**SIGNATURE:**

---

---

**DATE:**



MOGALAKWENA MUNICIPALITY

## **ASSET WRITE OFF/DISPOSAL FORM**

**DATE REQUESTED:** \_\_\_\_\_

**DEPARTMENT:** \_\_\_\_\_

**ASSET BARCODE:** \_\_\_\_\_

**ASSET NO (VENUS)** \_\_\_\_\_

**ASSET DESCRIPTION:** \_\_\_\_\_

**ASSET LOCATION:** \_\_\_\_\_

**CLASSIFICATION OF ASSET:** \_\_\_\_\_

**SUGGESTED METHOD OF DISPOSAL:** \_\_\_\_\_

**CONDITION OF ASSET:** \_\_\_\_\_

**REASON FOR WRITE OFF:** \_\_\_\_\_

\_\_\_\_\_

**REQUESTING OFFICIAL:**  
**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**HEAD OF DEPARTMENT RECOMMENDATION:**  
**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**CHIEF FINANCIAL OFFICER RECOMMENDATION:**  
**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**MUNICIPAL MANAGER APPROVAL:**  
**NAME & SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**ITEM TO COUNCIL FOR APPROVAL:** \_\_\_\_\_



MOGALAKWENA MUNICIPALITY

# ASSET REMOVAL FORM

DATE REQUESTED: \_\_\_\_\_

DATE REMOVED: \_\_\_\_\_

DEPARTMENT: \_\_\_\_\_

ASSET BARCODE:  
FLOOR NUMBER/ ROOM  
NUMBER: \_\_\_\_\_

ASSET DESCRIPTION: \_\_\_\_\_

CLASSIFICATION OF ASSET: \_\_\_\_\_

REASON FOR REMOVAL: \_\_\_\_\_

RETURN DATE: \_\_\_\_\_

DATE RETURNED: \_\_\_\_\_

REQUESTED BY:  
NAME AND SURNAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

AUTHORISED BY:  
NAME AND SURNAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_



MOGALAKWENA MUNICIPALITY

## PERSONAL ASSET DECLARATION FORM

SERIAL NUMBER: \_\_\_\_\_

ASSET DESCRIPTION: \_\_\_\_\_

NAME OF USER: \_\_\_\_\_

ASSET LOCATION: \_\_\_\_\_

REASON FOR BRINGING THE ASSET ONTO THE PREMISES:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ESTIMATED REMOVAL DATE: \_\_\_\_\_

OWNER DETAILS:  
NAME AND SURNAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**DECLARATION:** I .....,the owner agree not hold Mogalakwena Local Municipality liable for any theft or damage incurred relating to the use of the abovementioned asset.

**DEPARTMENT ASSET CONTROLLER**  
NAME AND SURNAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**DECLARATION:** I .....,the Department Asset Controller, agree that Mogalakwena Local Municipality is not the owner of the abovementioned asset.