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THABACHWEU LOCAL MUNICIPALITY

# ASSET MANAGEMENT

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Policy  
2021-2022





Thaba Chweu Local Municipality

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**Document Reference**

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### 1 Background<sup>i</sup>

**1.1** The utilization and management of property, plant and equipment is the prime mechanism by which a municipality can fulfil its constitutional mandates for:

- 1.1.1 Delivery of sustainable services,
- 1.1.2 Social and economic development,
- 1.1.3 Promoting safe and health environments and,
- 1.1.4 Providing the basic needs to the community.

**1.2** As trustees on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment.

**1.3** The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of property, plant and equipment.

**1.4** Stewardship has two components being the:

- 1.4.1 Financial administration by the chief financial officer, and
- 1.4.2 Physical administration by the asset managers (General Managers of relevant departments).

**1.5** Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposal by a local government.

**1.6** Accounting standards are being promulgated by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment. The requirements of these new accounting standards include:

- 1.6.1 The compilation of asset registers covering all property, plant and equipment controlled by the municipality.
- 1.6.2 Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment.



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1.7 The standards to which these financial records must be maintained.

### 2. Objectives

- 2.1 To ensure the effective and efficient control, utilization, safeguarding and management of Thaba Chweu Local Municipality's property, plant and equipment.
- 2.2 To ensure Senior managers are aware of their responsibilities in regards of infrastructure and community Assets.
- 2.3 To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.
- 2.4 To specify the process required before expenditure on property, plant and equipment occurs.
- 2.5 To prescribe the accounting treatment for property, plant and equipment in Thaba Chweu Local Municipality including:
  - 2.5.1 The criteria to be met before expenditure can be capitalised as an item of property, plant and equipment,
  - 2.5.2 The criteria for determining the initial cost of the different items of property, plant and equipment,
  - 2.5.3 The method of calculating depreciation for different items of property, plant and equipment,
  - 2.5.4 The criteria for capitalising subsequent expenditure on property, plant and equipment,
  - 2.5.5 The policy for scrapping and disposal of property, plant and equipment,
  - 2.5.6 The classification of property, plant and equipment.



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## 2 Definitions

- 3.1** “**Accounting Standards Board**” means the board established in terms of section 87 of the Public Finance Management Act (PFMA). The section refers to the function of the board, which is to establish standards of Generally Recognised Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa
- 3.2** “**Assets**” are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.
- 3.3** “**Asset Manager**” is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the municipality’s assets in accordance with the council’s standards, policies, procedures and guidelines.
- 3.4** **Infrastructure** means assets that usually display some or all of the following characteristics
- 3.4.1 they are part of a system or network;
  - 3.4.2 they are specialised in nature and do not have alternative uses;
  - 3.4.3 they are immovable; and
  - 3.4.4 they may be subject to constraints on disposal
  - 3.4.5 Examples of infrastructure assets include road networks, sewer systems, water
  - 3.4.6 and power supply systems and communication networks
- 3.5** **Community assets**-are defined as any asset that contributes to the community’s well-being. Examples are parks, libraries and fire stations.
- 3.6** **Community Facilities**: Discrete assets that provide a service directly to the community (such as parks, sports facilities, cemeteries, landfill sites etc
- 3.7** **Heritage assets**-are defined as culturally significant resources. Examples are works of art, historical buildings and statues.



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- 3.8** **Investment properties**-are defined as properties that are acquired for economic and capital gains. Examples are leased office buildings and underdeveloped land acquired for the purpose of resale in future years.
- 3.9** **“Attractive items”** are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding.
- 3.10** **“Capitalization”** is the recognition of expenditure as an Asset in the Financial Asset Register.
- 3.11** **“Carrying amount”** is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon. is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses
- 3.12** **“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.
- 3.13** **“Cost of acquisition”** is all the costs incurred in bring an item of plant, property or equipment to the required condition and location for its intended use.
- 3.14** **Component** is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts
- 3.15** **“Depreciation”** is the systematic allocation of the depreciable amount of an asset over its useful life.
- 3.16** **“Depreciable amount”** is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value.





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**3.17 Economic Life** is either:

- 3.17.1 the period over which an asset is expected to yield economic benefits or service potential to one or more users, or
- 3.17.2 the number of production or similar units expected to be obtained from the
- 3.17.3 asset by one or more users

**3.18 Enhancement/Rehabilitation** is an improvement or augmentation of an existing asset (including

Separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality

**3.19 “Fair value”** is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction.

**3.20 “Financial asset register”** is the controlled register recording the financial and other key details for all municipal assets recognized in accordance with this policy. is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements.

**3.21 Financially Sustainable**, in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—the initial capital expenditure required for the service; operating the service; and maintaining, repairing and replacing the physical assets used in the provision of the service

**3.22 Property, plant and equipment”** are tangible assets that: *Are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose, and are expected to be used during more than one period.*



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- 3.23 Recoverable amount**” is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. is the higher of a cash-generating asset’s or units net selling price and its value in use.
- 3.24 “Recognition”** is the process by which expenditure is included in the Financial Asset Register as an asset.
- 3.25 Recognition** is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an element (of financial statements) and satisfies the criteria for recognition, namely:
- It is probable that any future economic benefit or service potential associated with the item will flow to or from the entity and
  - The item has a cost or value that can be measured reliably
- 3.26 Refurbishment/Maintenance** to an asset will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved
- 3.27 “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. is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life
- 3.28 Remaining Useful Life** is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness



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- 3.29** “**senior manager**” is a manager referred to in section 56 of the municipal systems act being someone reporting directly to the municipal manager.
- 3.30** “**senior management teams**” are the incumbent of post level 1, 2 and 3 in each directorate being the “senior manager” and everyone up to two levels below them.
- 3.31** **Service Potential** is a tangible capital asset’s output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life
- 3.32** “**Stewardship**” is the act of taking care of and managing property, plant or equipment on behalf of another.
- 3.33** “**Useful life**” is either:
- 3.33.1 *The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality,*
- Or
- 3.33.2 *The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.*
- 3.34** “**Useful life**” is either:
- 3.34.1 *The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality,*
- Or
- 3.34.2 *The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.*



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### 3 Statutory and regulatory framework

**4.1** This policy must comply with all relevant legislative requirements including:

- 4.1.1 The constitution of the republic of south Africa, 1996
- 4.1.2 Municipal systems act, 2000
- 4.1.3 Municipal Finance Management Act

**4.2** This policy will be updated whenever legislative or accounting standard amendments significantly change the

Requirements pertaining to asset management in general and the administration of council's Assets.

**4.3** This policy does not over rule the requirement to comply with other policies like procurement, tendering or budget policies. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.



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# 4 Responsibilities and accountabilities

**5.1 The Municipal Manager** is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

**5.1.1** The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;

**1.1.1.**

**5.1.2** The municipality's assets are valued in accordance with standards of generally recognized accounting practice

**5.1.3** That the municipality has and maintains a system of internal control of assets, including an asset register; and

**5.1.4** That senior managers and their teams comply with this policy

**5.2 The Chief Financial Officer<sup>ii</sup>.**

5.2.1 The CFO shall be the custodian of the fixed asset register of the Municipality;

5.2.2 Appropriate systems system of financial management and internal control are established and carried out diligently;

5.2.3 The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;

5.2.4 Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;



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- 5.2.5 Provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Fixed Asset Register.
- 5.2.6 Financial processes are established and maintained ensure the municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- 5.2.7 The municipal manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- 5.2.8 The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;

This policy and any supporting procedures or guidelines are established, maintained and effectively communicated

### **5.3 Asset Manager must ensure that<sup>iii</sup>:**

- 5.3.1 Appropriate systems of physical management and control are established and carried out for asset in their area of responsibility;
- 5.3.2 The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- 5.3.3 Any unauthorized, irregular or fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct, are prevented;
- 5.3.4 Their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- 5.3.5 They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives.
- 5.3.6 The asset manager may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.

### **5.4 Manager: Assets**

### **5.5**



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- 5.5.1 Shall ensure that complete asset registers kept, verified and balanced regularly.
- 5.5.2 Shall ensure that all movable assets are properly bar coded and accounted for.
- 5.5.3 Shall conduct an annual audit inventory by scanning selected movable assets and compare this inventory with the Departments asset sign offs.
- 5.5.4 Shall ensure that the Fixed Asset Register is balanced annually with the general ledger and the financial statements.
- 5.5.5 Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the treasury department in the prescribed format.
- 5.5.6 Shall ensure that asset acquisitions are allocated to the correct asset code.
- 5.5.7 Shall ensure that, before accepting an obsolete or damaged asset or asset inventory item, a completed asset disposal form, counter signed by the Asset management Section, is presented.
- 5.5.8 Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from the departments.
- 5.5.9 Shall compile a list of the items to be auctioned in accordance with the Supply Chain Management (SCM) Policy.
- 5.5.10 Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.
- 5.5.11 Shall ensure that the SCM unit is notified of any auctioning or disposing of written-off asset or asset inventory item

### 5.6 General Managers

- 5.6.1 Shall ensure that employees in their departments adhere to the approved Asset Management Policy.
- 5.6.2 Shall ensure that an assets coordinator with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset management Section must be notified of who the responsible **person is. Although**



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authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the general manager.

- 5.6.3 Shall ensure that employees who contravenes the operational procedure or who use the council assets negligence and for their personal gain are disciplined accordingly.

### 5.7 Senior Managers responsible for Infrastructure Assets.

- 5.7.1 Shall ensure that a maintenance policy is approved and properly implemented.
- 5.7.2 Shall develop a maintenance plan for the infrastructure assets for their section.
- 5.7.3 Shall ensure that their departments had implemented operational procedures for an example, operators and drivers must have necessary qualification and valid driver's license, only personnel for electricity department are allowed to the electricity sub stations etc.
- 5.7.4 Shall ensure that assets are properly maintained in accordance with the maintenance policy.
- 5.7.5 Shall ensure that the assets of the council are not used for private gain.
- 5.7.6 Shall ensure that all their movable assets as reflected on the Fixed Asset Register and are bar coded where possible.
- 5.7.7 Shall ensure that the Asset Management Section is notified of any changes in the status of the assets under the department's control.
- 5.7.8 Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- 5.7.9 Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Section without delay.
- 5.7.10 Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- 5.7.11 Shall assist during the annual physical verification of infrastructure assets including the land and building.
- 5.7.12 Shall develop an infrastructure assets management plan for their department such as Roads and storm water, Water supply, Sanitation, Solid waste, electricity supply, Properties and community facilities.
- 5.7.13 Shall unbundled or componentized and assign estimated useful life to each component of all completed projects during the financial year and submit the componentized list to the office of the CFO for updating the asset register.





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5.7.14 Shall sign and date declarations stating that the list of componentized assets for his/her department is complete & accurate except for the discrepancies as reported to the office of the CFO.

### 5.8 ALL Council employees

- 5.8.1 Shall ensure that assets assigned to them are utilized effectively, efficiently, economically and transparently
- 5.8.2 Shall ensure that the assets of the council are not used for private gain
- 5.8.3 Shall notify the assets coordinators and assets management section of all obsolete, damaged and stolen assets, without delay.
- 5.8.4 Shall physical verify all assets under their possession and report to the result of the verification to the assets management unit at year end.
- 5.8.5 Shall ensure that all assets under their possession are properly bar-coded.
- 5.8.6 Shall ensure that on termination of service they returned the assets to their supervisors and complete a termination assets clearance form.
- 5.8.7 Shall notify the asset coordinators and assets management unit of the movement and transfer of assets assigned to them by completing an assets transfer form.
- 5.8.8 Shall ensure that they comply with the operational procedures.



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### Financial Management

#### **6.1 Pre-Acquisition Planning**

- 6.1.1 Before a capital project is included in the budget for approval, the senior manager of the relevant department must demonstrate that they have considered:
- 6.1.2 The projected cost over all the financial years until the project is operational;
- 6.1.3 The future operational costs and revenue on the project, including tax and tariff implications;
- 6.1.4 The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- 6.1.5 The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- 6.1.6 The inclusion of this capital project in the integrated development plan and future budgets:
- 6.1.7 The chief financial officer is accountable to ensure the senior manager of the relevant department receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

#### **6.2 Approval to Acquire Property Plant and Equipment**

- 6.2.1 Money can only be spent on a capital project if:

- 6.2.1.1 The money has been appropriated in the capital budget,

- 6.2.1.2 The project, including the total cost, has been approved by the council,

- 6.2.1.3 The CFO confirms that funding is available for that specific project, and

- 6.2.1.4 Any contract that will impose financial obligations beyond two years after the budget year

- Must be appropriately disclosed.

- 6.2.1.5 Acquisition of the Assets will then follow the normal process of the Supply Chain

- Management Policy and Procedures



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### **6.3 Funding of capital projects**

Within the municipality's on-going financial, legislative or administrative capacity, the chief financial officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the integrated development plan.

### **6.4 Disposal of property plant and equipment.<sup>iv</sup>**

- 6.4.1 The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a non-current asset needed to provide the minimum level of basic municipality services.
- 6.4.2 The municipality may transfer ownership or otherwise dispose of a non-current asset other than one contemplated above, but only after the council, in a meeting open to the public
- 6.4.3 Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and
- 6.4.4 Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- 6.4.5 The decision that a specific non-current asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset been sold, transferred or otherwise disposed of.
- 6.4.6 The municipal manager may approve the disposal of an item of property, plant and equipment as delegated by the municipal council. The delegations to approve contracts for the disposal an item of property, plant and equipment is stated in the Preferential Procurement Policy.
- 6.4.7 The disposal an item of property, plant and equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management. The Preferential Procurement Policy covers these issues.<sup>1</sup>
- 6.4.8 Transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions.



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# 7. Internal Controls

## 7.1 Financial Asset registers

### 7.1.1 Establishment and Management of the Financial Asset Register

- 7.1.1.1 The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition. Asset Managers are responsible for establishing and maintaining any additional register or database required to demonstrate their physical management of their assets.
- 7.1.1.2 Each asset manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers.

### 7.1.1 Contents of the Financial Asset Register

- 7.1.2.1 Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the fixed asset register shall reflect at least the following information:
- 7.1.2.1.1 A brief but identifiable description of each asset
  - 7.1.2.1.2 classification of each asset
  - 7.1.2.1.3 the date on which the asset was acquired for use
  - 7.1.2.1.4 the location of the asset
  - 7.1.2.1.5 the departments within which the assets will be utilized
  - 7.1.2.1.6 the responsible person for this asset
  - 7.1.2.1.7 the title deed number, in the case of fixed property
  - 7.1.2.1.8 the stand number, in the case of fixed property
  - 7.1.2.1.9 an unique identification number
  - 7.1.2.1.10 the original cost or fair value if no costs are available



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- 7.1.2.1.11 the (last) effective date of revaluation of the fixed assets subject to revaluation
- 7.1.2.1.12 the revalued value of such fixed assets
- 7.1.2.1.13 the valuer who did the (last) revaluation
- 7.1.2.1.14 accumulated depreciation to date
- 7.1.2.1.15 the carrying value of the asset
- 7.1.2.1.16 whether this is a cash or non-cash generating asset
- 7.1.2.1.17 the method and, where applicable, the rate of depreciation
- 7.1.2.1.18 impairment losses
- 7.1.2.1.19 impairment recovery
- 7.1.2.1.20 the source of financing
- 7.1.2.1.21 whether the asset is required to perform basic municipal services;
- 7.1.2.1.22 the date on which the asset is disposed of
- 7.1.2.1.23 the disposal proceeds
- 7.1.2.1.24 the date on which the asset is retired from active use, and held for disposal
- 7.1.2.1.25 the residual value of each asset
- 7.1.2.1.26 measurement model

### 7.1.3 Internal Controls over the Financial Asset Registers

#### **Reconciliation**

The Assets Register should be reconciled against the financial system quarterly and annually to ensure that Assets purchased under either Capital or Current Expenditure are reconciled to the assets register purchases for that month.



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# 8. Management and Operation of Assets

## 8.1 Accountability to manage property plant and equipment

8.1.1 Each Asset Manager is accountable to ensure that municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This would include;

8.1.1.1 Developing appropriate asset management systems, procedures, processes for controlling and management of assets,

8.1.1.2 Providing accurate, reliable and up to date account of assets under their control,

8.1.1.3 The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the municipality's strategic objectives.

## 8.2 Contents of a strategic asset management plan

8.2.1 *Senior Managers need to manage assets under their control to provide the required level of service*

Or economic benefit at the lowest possible long term cost. To achieve this, Asset Manager will need to develop strategic asset management plans that cover:

8.2.2 Alignment with the Integrated Development Plan

8.2.3 Operational guidelines,

8.2.4 Performance monitoring,

8.2.5 Maintenance programs,

8.2.6 Renewal, refurbishment and replacement plans,

8.2.7 Disposal and Rehabilitation plans,

8.2.8 Operational, financial and capital support requirements, and

8.2.9 Risk mitigation plans including insurance strategies

## 8.3 Bar-coding and Physical Verification

8.3.1 Bar coding means to place a control number on a piece of equipment or property.

8.3.2 All movable assets must be bar code if probable.



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8.3.3 The primary purpose of bar coding is to maintain a positive identification of assets.

### **8.3.1.1 Bar coding is important to:**

1.1.2. 8.3.1.1.1 Provide an accurate method of identifying individual assets

8.3.1.1.2 *Aid in the annual physical inventory*

8.3.1.1.3 *Control the location of all physical assets*

8.3.1.1.4 Aid in maintenance of fixed assets

### **8.3.2.1 Fixed property and plant is not bar coded; such as:**

8.3.2.1.1 Buildings (record legal description in asset record),

8.3.2.1.2 Land (record legal description in asset record),

8.3.2.1.3 Infrastructural assets.

Consistently place asset bar codes in the same location on each similar type asset. If possible, the bar codes shall be accessible for viewing. Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will aid in taking inventory.

1.2. 8.4 Physical inventory of all movable assets

8.4.1 The Asset Management Section will conduct a physical inventory of movable assets annually.

8.4.2 They will require the cooperation of departmental personnel in accomplishing the physical inventory task and will attempt to minimize the time demanded of them.

8.4.3 The designated officials in the different Departments within Council must execute the functions listed below.



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- a. Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included.
- b. Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Section.
- c. Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.

### **8.5 Asset Management Section must be notified by the relevant Department of any of the**

#### **Following possible movements:**

- 8.5.1 Donations
- 8.5.2 Additions / Improvements
- 8.5.3 Departmentally manufactured items
- 8.5.4 Loss or damage
- 8.5.5 Transfers
- 8.5.6 Terminations
- 8.5.7 Land Sales

The responsible managers must ensure that all assets allocated to employees within their areas of responsibility are returned upon their terminations of service or transfer and reported to the asset team within 5 working days before allocation to re-allocation to any end user or other directorates.





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## 9. Classification, aggregations & components

### 9.1 Classification of Assets

- 9.1.1 Assets that meet the definition and the recognition criteria shall be capitalized in the fixed assets register and be classified as follows
- 9.1.2 Property Plant and equipment if its meet the definition of property plant and equipment as per GRAP 17,
- 9.1.3 Intangibles assets if its meet the definition of an intangible assets as GRAP 102,
- 9.1.4 Investment properties if it's the definition of the investment properties as per GRAP 16
- 9.1.5 Biological assets if it's the definition of biological assets as per GRAP 101.

### 9.2 Major Component

- 9.2.1 An Asset Manager may, with agreement of the Chief Financial Officer, treat specified major Components of an item of property plant or equipment as a separate asset for the purposes of this Policy.
- 9.2.2 These major components may be defined by its physical parameters (e.g. a reservoir roof) of its financial parameters (e.g. a road surface).
- 9.2.3 In agreeing to these treatments the CFO must be satisfied that these components:
  - 9.2.3.1 *Have significantly a different useful life or usage pattern to the main asset,*
  - 9.2.3.2 *Align with the asset management plans,*
  - 9.2.3.3 *The benefits justify the costs of separate identification,*



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9.2.3.4 *It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,*

9.2.3.5 *The cost of the asset to the municipality can be measured reliably,*

9.2.3.6 *The municipality has gained control over the asset,*

9.2.3.7 *The asset is expected to be used during more than one financial year.*

9.2.4 All such decisions and agreements will be confirmed before the beginning of the financial year and submitted for approval with the budget. Any amendments will only be permitted as part of a budget review.

9.2.5 Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.

9.2.6 All other replacements, renewals of refurbishments of components will be expensed.

## 10. Accounting for Assets

### 10.1 Recognition of Assets

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

10.1.1. it is probable that future economic benefits or service potential associated with the item will flow to the entity, and

10.1.2. the cost or fair value of the item can be measured reliably

### 10.2 Measurement at recognition.

10.2.1. An item of assets that qualifies for recognition as an asset shall be measured at its cost.

10.2.2. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

### 10.3 Elements of cost

The cost of an item of property, plant and equipment comprises:

10.3.1 Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

10.3.2 Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.



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10.3.3 The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The rate per Kiloliters is calculated as follows:

- Rate per KL =  $\frac{\text{Cost of purifying water}}{\text{Purified water}}$
  
- Cost of purifying : Cost of Chlorine  
: Vehicle used cost  
: Employee cost

### 10.4 Examples of directly attributable costs are

- 10.4.1 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,
- 10.4.2 costs of site preparation,
- 10.4.3 initial delivery and handling costs,
- 10.4.4 installation and assembly costs,
- 10.4.5 costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items produced while bringing the asset to that location and condition
- 10.4.6 Professional fees.

### 10.5 Measurement after recognition

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses

- 10.5.1 Each part of an item of property, plant and equipment with a cost that insignificant in relation to the total cost of the item shall be depreciated separately



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- 10.5.2 The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.
- 10.5.3 Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
- 10.5.4 Depreciation of an asset ceases when the asset is derecognised.
- 10.5.5 Therefore, depreciation does not cease when the asset become idle or is retired from active use held for disposal unless the asset is fully depreciated.
- 10.5.6 The depreciable amount of an asset is determined after deducting its residual value.
- 10.5.7 The residual value for infrastructure assets, Heritage assets, community assets and intangible assets shall be zero at initial measurement.

### **10.6 Initial determination useful life**

- 10.6.1. Each Asset Manager needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life that asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

- 10.6.1.1 The operational, maintenance, renewal and disposal program that will optimize the expected long term costs of owning that asset,
- 10.6.1.2 economic obsolescence because it is too expensive to maintain,
- 10.6.1.3 functional obsolescence because it no longer meets the municipalities needs,
- 10.6.1.4 technological obsolescence,
- 10.6.1.5 social obsolescence due to changing demographics, and
- 10.6.1.6 Legal obsolescence due to statutory constraints.

### **10.7 Review of useful life, depreciation method and the residual value**

- 10.7.1 The useful life, depreciation method and the residual value applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method, useful life and residual value shall be changed to reflect the changed pattern.
- 10.7.2 Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors



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### 10.8 Review of depreciation method

- 10.8.1 The depreciation method applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors
- 10.8.2 Depreciation calculations for TCLM are based on the reviewed and corrected life spans and purchase dates assigned to each assets as per the received FAR. The calculations are also based on a straight line method.
- 10.8.4

Please find below a sample: <b>Asset Type</b>	<b>Cost</b>	<b>Life Span</b>	<b>Monthly Depreciation</b>	<b>Purchase Date</b>	<b>Current Date</b>	<b>Total Number of Months in Use</b>	<b>Total Depreciation</b>
Chair	R 600-00	60 Months	R 10-00	01/07/2011	30/06/2013	24	R 240-00

### 10.9 Subsequent expenditure on property plant and equipment<sup>v</sup>

- 10.9.1 Assets are often modified during their life. There are two main types of modification:
- 10.9.2 Enhancements / Rehabilitation:
- 10.9.3 This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.
- 10.9.4 These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.
- 10.9.5 Disbursements of this nature relating to an asset, which has already been recognized in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the Council over the remaining life of the asset.
- 10.9.6 To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:



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- i. Modification of an item or plant to extend its useful life, including an increase in its capacity;
- ii. Upgrading machine parts to achieve a substantial improvement in the quality of output;
  - 1. Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;
  - 2. Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;
- iii. Improve the performance of the asset

10.9.7 Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a municipality can expect from the asset.

10.9.8 Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

### **10.10 Maintenance / Refurbishment:**

Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a municipality can expect from the asset.

Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

## **11. Financial Disclosure**



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11.1 The financial statements shall disclose, for each class of property, plant and equipment recognised in

The financial statements:

- 11.1.1 the measurement bases used for determining the gross carrying amount,
- 11.1.2 the depreciation methods used,
- 11.1.3 the useful lives or the depreciation rates used,
- 11.1.4 the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period, and
- 11.1.5 a reconciliation of the carrying amount at the beginning and end of the period showing:

- 11.1.5.1. additions,
- 11.1.5.2. disposals,
- 11.1.5.3. acquisitions through business combinations,
- 11.1.5.4. increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in net assets under the Standard of GRAP on Impairment of Assets, impairment losses recognised in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,
- 11.1.5.5. impairment losses reversed in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,
- 11.1.5.6. depreciation,
- 11.1.5.7. The net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity, other changes.

11.2 The financial statements shall also disclose for each class of property, plant and equipment Recognised in the financial statements:

- 11.2.1 the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities,
- 11.2.2 the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction,
- 11.2.3 the amount of contractual commitments for the acquisition of property, plant and equipment, and



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- 11.2.4 If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.
- 11.2.5 If items of property, plant and equipment are stated at revalue amounts, the following shall be disclosed:
- 11.2.5.1 the effective date of the revaluation,
  - 11.2.5.2 whether an independent valour was involved,
  - 11.2.5.3 the methods and significant assumptions applied in estimating the items' fair values,
  - 11.2.5.4 the extent to which the items' fair values were determined directly by
    - 11.2.5.4.1 reference to observable prices in an active market or recent market
    - 11.2.5.4.2 transactions on arm's length terms or were estimated using other
    - 11.2.5.4.3 valuation techniques,
    - 11.2.5.4.4 for each revalue class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model, and
    - 11.2.5.4.5 The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.
- 11.2.6 Financial statements shall also disclose the following for each class of property, plant and equipment:
- (a) The carrying amount of temporarily idle property, plant and equipment,
  - (b) The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, and
  - (c) The carrying amount of property, plant and equipment retired from active use and held for disposal.
- 11.2.7 The financial statement shall disclose the following for each class of intangible assets, distinguishing between the internally generated intangible assets and other intangibles assets:





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- 11.2.7.1 Whether the useful lives are indefinite or finite and, if finite, the useful
- 11.2.7.2 Lives or the amortisation rates used.
- 11.2.7.3 The amortisation methods used for intangible assets with finite useful lives.
- 11.2.7.4 The gross carrying amount and any accumulated amortisation
- 11.2.7.5 (Aggregated with accumulated impairment losses) at the beginning and end of the period.
- 11.2.7.6 The line item(s) of the statement of financial performance in which any amortisation of intangible assets is included.
- 11.2.7.7 A reconciliation of the carrying amount at the beginning and end of the period showing:
  - 11.2.7.7.1 additions, indicating separately those from internal development and those acquired separately;
  - 11.2.7.7.2 disposals;
  - 11.2.7.7.3 assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations ;
  - 11.2.7.7.4 increases or decreases during the period resulting from revaluations under paragraphs .78, .88 and .89 and from impairment losses recognised or reversed directly in net assets in accordance (if any) with the Standards of GRAP on Impairment of Assets;
  - 11.2.7.7.5 impairment losses recognised in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets;
  - 11.2.7.7.6 impairment losses reversed in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets);
  - 11.2.7.7.7 any amortisation recognised during the period; net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and
  - 11.2.7.7.8 Other changes in the carrying amount during the period.



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**12. ASSET REGISTER GUIDE**

No.	FAR Heading	Description
1	Row ID	A unique row number in the asset register.
2	Component ID	A system generated identity of the asset
3	Category	A grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.
4	Accounting Group Name	Property, Plant and Equipment
5	Asset Category Name	Grouping of assets in terms of their nature ie. Movable, Infrastructure, Community etc
6	Asset Sub Category Name	Detailed breakdown of the assets categories
7	Asset Group Name	
8	Asset Type Name	
9	Component Type Name	This is the part of an asset with a significantly different useful life and cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and DE recognition purposes. It is also referred to as separately depreciable parts.
10	Descriptor Size (SizeField1)	Size field
11	Descriptor Size_Unit	Size field
12	Barcode/identity	Unique asset barcode for movable assets, OR identification number for
13	Component Desc (Identification and Size field)	Additional description of the asset component. The purpose of this field is to provide further identification of the asset in the form either: serial number, model, registration number, manufacturer etc
14	Component Desc2 (Identification field)	



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15	Component Desc3 (Identification field)	
16	Component Desc4 (Identification field)	
17	Extent(SizeField)	Size field
18	Latitude	Location GPS coordinates
19	Longitude	
20	Map Feature ID	Unique location code generated by IMQS system
21	Asset Owner/From Street	<p>1. Asset Owner: A person in any position or level in the organization entrusted with the safeguarding and use as well as the condition monitoring of a specific asset or a number of assets.</p> <p>2. INRASTRUCTURE: Ending street for the asset or where asset is located</p>
22	Room No./To Street	<p>1. Room No. refers to the location of the asset</p> <p>2. INRASTRUCTURE: Starting street for the asset or where asset is located</p>
23	Location	Asset location. This could be a town, specific location name or room number
24	Take On Date	Asset acquisition date or take on date (1 July 2008) for assets at deemed cost
25	Size	Size of the asset, e.g square meters
26	Rate	The costing rate for infrastructure assets based on calculations performed by technical specialist
27	Actual Cost/CRC	<p>The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of Generally Recognized Accounting Practices (GRAP).</p> <p>OR</p> <p>the cost of replacing an existing asset with a modern asset of equivalent capacity.</p>



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28	Ref1:Project or Invoice Number	Invoice number for acquisition or Project reference when asset is costed at deemed cost
29	Ref1:/Supplier	Supplier from whom the asset was bought.
30	File Reference	Costing reference to the FAR file
31	Condition	Asset condition grading (Excellent-1, Good-2, Fair-3, Poor-4, Very Poor-5)
32	Performance	Assessment of asset performance in % using the condition rating and the guideline (Refer to guide)
33	EUL	Useful Life is: (a) the period over which an asset is expected to be available for use by an entity, or (b) the number of production or similar units expected to be obtained from the asset by an entity.
34	EUL Days	
35	RUL	Is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness.
36	RUL Days	
37	Recon Start date	2012/07/01
38	2013 Year End Date	2013/06/30
39	2014 Year End Date	2014/06/30
40	2015 Year End Date	2015/06/30
41	Days used 1 Jul 2008 to 30 Jun 2012	Days asset is depreciated from first time adoption of GRAP (1 July 2008) to the start date of the asset recon
42	Depreciation days	Number of days the asset is depreciated in the financial year
43	Asset cost/DRC/Valuation	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).
44	Residual Value	The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.



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45	Depreciable cost	Is the cost of an asset, or other amount substituted for cost, less its residual value.
46	Opening Cost	Cost of asset at the beginning of the financial year
47	Closing Cost	Opening cost plus additions, minus disposals, plus/minus asset transfer
48	Additions	Assets bought purchased during a given financial year i.e 1 July 20XX to 30 June 20XX
49	Depreciation	This is the systematic allocation of the depreciable amount of an asset over its useful life * GENERAL - Depreciation is calculated as Depreciable Amount divided by RUL * RE-ASSESSED RUL - Depreciation is calculated on previous year carrying amount over
50	Impairment	The reduction in the recoverable amount of an asset below its carrying amount.
51	Disposals	Assets sold during the financial year.
52	Closing Acc Dep	Total accumulated depreciation at the end of the financial year i.e at 30 June. (Opening Accumulated depreciation plus depreciation and impairment for the year, minus accumulated depreciation for disposed asset)
53	Carrying Amount	The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses. (Closing Cost minus Closing Accumulated Depreciation)
54	Condition Grade	The assessment of condition of asset to determine the remaining useful life of asset and impairment
55	Assets impairment assessment	Assessment done to check if there is any indication that the asset is impaired(i.e the carrying amount may be higher than its recoverable amount).



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### **13. METHODOLOGIES FOR IMPLEMENTATION OF GRAP STANDARDS**

#### **GRAP 16 INVESTMENT PROPERTIES**

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes, or
- (b) sale in the ordinary course of operations.

Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

- + Obtain all relevant information pertaining to property owned by TCLM (GRAP 16 & GRAP 17);
- + Cross reference all the properties with various sources, including:
  - Deed searches;
  - SG diagrams / Town plans;
  - Physical addresses;
  - Farm descriptions; and
  - Available GIS information.
- + Correct classification of property in terms of GRAP 16 and GRAP 17;
- + Each property classified as GRAP 16 compliant will be valued in terms of TCLM valuation roll;
- + A detailed property register will be prepared in Excel format for all GRAP 16 properties;
- + A detailed working paper file will be prepared to support all properties listed on the Excel spreadsheet; and
- + All the above mentioned information will be utilised to draft the disclosure notes to the Annual Financial Statements and the working paper file.

#### **INVENTORIES: GRAP 19**

##### **Process for calculating stock water**

###### **Water pipes:**

- + The length of the water pipes should be determined from the summation of all the individual lengths as per the Technical Asset Register (TAR) - note that the length is calculated from the origin of the pipes to the point of the domestic meters as appropriate.
- + The pipes are to be assessed by OD (outside diameter) in the Asset Register and the internal diameter should be calculated for calculation of the volume by using the appropriate manufactures tables per pipe material and OD to determine the internal diameter
- + As pressure pipe can only for all practical purposes run at 100% capacity the volume is calculated by length x internal diameter squared divided by 4. For example A factor of 85% of this volume can be used and an assumption can be made that there were 15% water losses in the system.

###### **Reservoirs:**

- + The capacity of the reservoirs should be calculated using the dimensions as recorded in the TAR ie the "dims" which is height x length x width or height x diameter. The capacity was then calculated by



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subtracting the thickness of the walls dependent on the wall material using the best available information or engineering judgment.

This capacity should be then confirmed with the municipality in the extent workshops. Note that the internal capacity can be very different to the external for:

- ✚ The capacity is constrained by the position of the overflow outlet which might not be at the top of the structure,
- ✚ The structure could extend underground
- ✚ The Capacity has been taken as 50% of theoretical capacity for the calculation of the stock water as there was no certainty as to the level in each reservoir at the time of measurement and 50% represents the mathematical average of available capacity

□ **Treatment works;** the volume (or theoretical capacity) of the treatments works was assumed to be the theoretical through-put capacity of the works based on an 8 hrs operating day and at 50% of the available volume as there were no measurements as to the actual volumes in the works and 50% provided a defensible mathematical average.

□ **Stock water calculation:** The stock water calculation will then taken as the summation of the volumes available in the pipes plus the available volumes in the reservoirs and

### PROVISION FOR LANDFILL SITES GRAP 19

**Some key factors required to perform a landfill valuation include:**

#### ✚ **Geology**

- ✚ Understanding of Geology, faults, fissures, overthrows, nature of deposit etc.
- ✚ Interpretation of boreholes, trenches, material testing and product structure;
- ✚ Extend of overburden and cost of removal and storage;
- ✚ An assessment of whether the geology will prevent ingress of leachates, landfill gases and contaminants from the site, or whether the landfill needs to be lined.

#### ✚ **Hydrology and Hydrogeology**

- ✚ Understanding the local surface and underground water regime.

#### ✚ **Services**

- ✚ Provision and availability of services to the site;
- ✚ Sterilisation or restriction of void space by the provision of services.

#### ✚ **Legal**

- ✚ Ownership of the surface land for access to the void space ( Tangible Assets)
- ✚ Ownership of the void space (Intangible Assets)
- ✚ Planning Consent to landfill, zoning and other Local Government constraints.



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### **✚ Environmental Impact Assessment and EPA Licencing. Pollution Control.**

- ✚ Easement, restrictions, covenants, wayleaves and other legal constraints
- ✚ Native Title issues
- ✚ Restoration, rehabilitation, After Care. Liabilities, costs or benefits
- ✚ Royalties, minimum or certain rents, site rents.

### **✚ Economic factors**

- ✚ Overview of state waste management markets and landfill levies
- ✚ Relationship to population changes
- ✚ State of the national, regional and local economy
- ✚ Nature and number of competition within a given market share;
- ✚ Size of the market and pricing policy
- ✚ Market Capacity
- ✚ Niche products that operate in a regionalised or national market
- ✚ Processing Operation
- ✚ Method of Landfill- types of plants, machinery and equipment
- ✚ Market input, capacity, constraints to expansion, product mix
- ✚ The market input will derive the Life of the landfill
- ✚ Use of recycling operation in conjunction with landfill
- ✚ Landfill gas extraction and generation facilities, flare stacks;
- ✚ Risk management;
- ✚ Weighed average Cost of Capital
- ✚ Strengths, Weakness, Opportunity, Threats (SWOT)
- ✚ Monte Carlo Simulation;
- ✚ Valuation Methodology;
- ✚ The amount of waste deposited in the site, which influences the site value;
- ✚ Structures in the nature of building used offices, workshops, stores or process buildings;
- ✚ Site infrastructure which includes concrete surfaced areas, bunds and walls used for recycling or processing , roads, fencing (both perimeter and litter fencing), drainage works, effluent treatment plant and site linings;
- ✚ Landfill Gas collection infrastructure;
- ✚ Electricity Generating infrastructure;
- ✚ Plant and machinery.

### **Estimated annual cost of Closure and Rehabilitation (Recurring Cost)**

Closure and Rehabilitation costs can be differentiated between annual recurring costs and once off non-recurring costs. These costs are distinct from normal operating costs, which are stipulated in the operating permit.

### **Recurring activities**





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- ✚ Monitoring of leachate and water quality;
- ✚ Capping of landfill areas where waste has been deposited on a continuous basis

### ✚ **Non-recurring activities**

- ✚ Setting up monitoring stations (boreholes etc.)
- ✚ Capping of landfill sites where waste is no longer deposited.

In general, non-recurring rehabilitation activities include:

- ✚ Community Liaison;
- ✚ Land survey;
- ✚ Geohydrological investigations;
- ✚ Environmental Investigations;
- ✚ The full design of the site;
- ✚ Scoping and submission of draft reports;
- ✚ Application for permit;
- ✚ Leachate management;
- ✚ Storm water drainage;
- ✚ Earthworks to final formation level;
- ✚ Capping layers of existing waste;
- ✚ Fencing;
- ✚ Gas extraction
- ✚ Pre- and post-closure monitoring

### **Rehabilitation (Covering)**

If the site is operational, and therefore requires an annual rehabilitation budget for cover of exposed waste. Covering the waste is not to be confused with capping of the waste. Areas where waste has been deposited and are no longer in the operational area, are required to be closed and rehabilitation in accordance with the "Minimum Requirements"

### **Determine what Estimated Costs for future financial years are**

The Consultant will use the Net Present Value (NPV) method to determine the current obligation of the Municipality for Rehabilitating the Landfill for Pollution already caused to date.

### **Minimum Obligation for 2013/2014 (non-recurring costs)**

The Consultant will determine whether the site in terms of current legislation is operating legally, i.e. a licence existence.

### **Rehabilitation (Capping and Closure)**



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The site is in operation, and therefore requires an annual rehabilitation budget for cover of exposed waste.

Allowance will be made for survey, environmental and community issues in providing cover of suitable standard.

### Costs

In calculating the provision for rehabilitation, the following four items will be included:

- ✚ Indirect Professional Fees;
- ✚ Indirect disbursements

#### ✚ Indirect Professional Fees

Indirect professional fees are charged by professional Engineers in terms of the engineering Profession Act. (Act 46 of 2000). These fees are fixed and are based on a percentage of the contract value.

#### ✚ Indirect Disbursements

Indirect disbursements are estimated by obtaining quotations from third party service providers for similar works. Indirect disbursements include (but not limit to):

- ✚ Community Liaison;
  - ✚ Land surveying
  - ✚ Geohydrological investigations
  - ✚ Environmental investigations
  - ✚ The full design of the site;
  - ✚ Scoping and submission of draft report
  - ✚ Application for permit
  - ✚ Leachate management
  - ✚ Storm water drainage
  - ✚ Fencing
  - ✚ Earthworks to final formation level
  - ✚ Capping layers of existing waste
  - ✚ Gas extraction
  - ✚ Pre- and Post-closure monitoring
- Other costs arising (e.g. travel etc.)

### DELIVERABLES

The expected deliverables would include:



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- ✚ A technical Report Detailing Works Executed by the Engineer to Calculate the Provision.
- ✚ Supporting documentation including the values estimated to derive the costs.
- ✚ Proposed journals to recognise the provision.
- ✚ Provision for Landfill Site Disclosure Note to the Annual Financial Statements (AFS).

### **Movable Asset register**

The specific tasks that will be completed, in order to achieve the above mentioned objectives will be as follows:

- ✚ Setup and Customization of TCLM asset structures (locations, asset categories and financial reporting units) to be used in the verification process.
- ✚ Verification of all nominated moveable assets (estimated 6,500 moveable assets) within the identified locations will be audited. In the event that a barcode number is not attached to an asset, the appointed service provider will apply a new barcode and capture the relevant information against the newly applied bar-code label.
- ✚ Compile and get sign off of inventory sign off sheets per user, by location.
- ✚ Appointed service provider will perform a reconciliation of the newly verified asset register to the existing asset register to bring across any relevant historical and or prior financial information.
- ✚ Assets that could not be reconciled will be given a fair market valuation based on the verification details as well as the condition assessment performed in the verification phase.
- ✚ Depreciation calculations
- ✚ Movement disclosures - produce statutory financial disclosures
- ✚ Notes to financials – produce required and specific notes to financial statements
- ✚ The final asset register will be quality checked, compiled into a single file and handed to the TCLM for review and sign off (Final sign off expected to be no longer than 15 working days from date of submission)

### **Infrastructure Assets**

The municipality request prospective bidders to submit proposals on the specification outlined below which could also be regarded as deliverables and the cost of executing this assignment. It will be expected from the prospective bidders to execute the assignment based on the following requirements;

- ✚ Update and maintain the immovable asset register of TCLM with all additions, disposals, de-recognitions etc. for a period of three years.
- ✚ The updating of the immovable asset register be done half yearly for the periods December / January and June /July each year.
- ✚ Ensure that the update and maintenance of the immovable asset register is done in accordance with the standards of Generally Recognised Accounting Practice (GRAP)
- ✚ To conduct physical verification and inspection of the immovable assets on a regular basis in order to:
  - Assess the condition of the immovable assets



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- Review and determine the useful lives of the immovable assets
- Identify immovable assets to be impaired
- Mark or bar code and determine GPS co-ordinates of the immovable assets.
- ✚ To determine at each reporting date if an indicator for impairment was triggered for the immovable assets.
- ✚ If the indicator for impairment has been triggered, the service provider to determine the recoverable amount which will be higher of fair value less costs to sell and value in use for cash generating assets at each reporting date in terms of the standards of Generally Recognised Accounting Practice.
- ✚ If the indicator for impairment has been triggered, the service provider to determine the recoverable service amount which will be the higher of fair value less costs to sell and value in use (present value of non-cash generating asset's remaining service potential through either the depreciated replacement cost, restoration cost or service units approaches) for the non-cash generating assets at each reporting date in terms of the standards of Generally Recognised Accounting Practice.
- ✚ To annually assess for impairment on intangible assets with definite useful lives.
- ✚ The updated immovable asset register should be delivered on excel and GIS system.
- ✚ To develop and implement a training and capacity building programme for the municipal officials responsible for immovable asset management over the three year period.

### **Asset Management Strategy**

- ✚ Formulating an asset management strategy consisting of detailed plans for acquisitions and replacements, operation and maintenance as well as disposals in terms of the municipality's policies;
- ✚ Informing the IDP (and revised IDP) and then the annual budget, using the
  - detailed plans;



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### Commencement

This policy takes effect on the date on which it is adopted by Council

### Version Control

Version	State/Change	Author	Date
1.0	Original	Ms F Makwakwa	March 2015
1.2	Changes	Ms F Makwakwa	May 2016
1.3	Asset Register Guide	Ms F Makwakwa	March 2017
1.4	Methodologies for Implementation of GRAP standards	Ms F Makwakwa	March 2018

### Review

Surname and Initials	Designation	signature	Date
Mnisi R	CFO		

### Approval

Council Resolution Number	Date
A33/2015	31 March 2015

Council Resolution Number	Date