MAFUBE LOCAL MUNICIPALITY

ASSETS MANAGEMENT POLICY

INDEX

1. <u>Definitions</u>

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 (Accounting Standards Board, Investment Property (GRAP 16), 2023).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (Accounting Standards Board, Investment Property (GRAP 16), 2023).

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities (Accounting Standards Board, TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL (GRAP 105), 2023).

Occupied means a building, seat, etc. being used by someone (Oxford Languages, Occupied, 2023).

Fence means a barrier, railing, or other upright structure, typically of wood or wire, enclosing an area of ground to prevent or control access or escape (Oxford Languages, Fence, 2023)

Retrospective means looking back on or dealing with past events or situations (Oxford Languages, Retrospective, 2023).

Impairment, an impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. (Accounting Standards Board, (GRAP 21), 2023).

Residual Value The residual value of an asset 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.

PART 1 DEFINITION OF A FIXED ASSET

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

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

PART 2 ROLE OF MUNICIPAL MANAGER

As accounting officer of the municipality, the municipal manager shall be the principal custodian of all the municipality's fixed assets and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

PART 3 ROLE OF CHIEF FINANCIAL OFFICER

The chief financial officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

PART 4 FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.
The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- where applicable, the identification number, as determined in compliance with part 11 below
- the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available.
- The residual value allocated to the asset
- the (last) revaluation date of the fixed assets subject to revaluation
- the revalued value of such fixed assets
- who did the (last) revaluation if applicable
- accumulated depreciation to date

- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation if applicable
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- the current insurance arrangements if applicable
- the date on which the asset is disposed of if applicable
- the disposal price if applicable
- the date on which the asset is retired from use, if not disposed of.

All heads of department under whose control any fixed asset falls shall promptly provide the chief financial officer in writing with any information required to compile the fixed asset register and shall promptly advise the chief financial officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 5 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

- land (not held as investment assets)
- buildings utilized by the municipality
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- heritage assets (culturally significant resources)
- other assets (ordinary operational resources)

INVENTORY

- housing (housing stock not held for capital gain)

INVESTMENT PROPERTY

- investment assets (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure, it will use the classification applicable to the asset most closely comparable to the asset in question.

PART 6 INVESTMENT PROPERTY

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

The municipality opted for a fair value model when accounting for investment properties as stipulated in GRAP 16 paragraph 46 to 65 and will be annually adjusted with a reliable property index or revaluation by a professional third party.

Investment assets shall comprise 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.

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

PART 7 FIXED ASSETS TREATED AS INVENTORY

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

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

If no original costs or fair values are available in the case of one or more or all heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

PART 9 RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the municipality, the asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition, as determined by the chief financial officer. Where available the assets will be measured at the actual cost that the donor paid for the asset that has been donated.

PART 10 SAFEKEEPING OF ASSETS

Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

PART 11 IDENTIFICATION OF FIXED ASSETS

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 12 PROCEDURES IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE

Judgment is exercised in determining the unit of measure for recognition, which may involve aggregating individually insignificant items. This is done in accordance with GRAP 17.09: This Standard does not prescribe the unit of measure for recognition, i.e., what constitutes an item of property, plant, and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals, and small items of equipment, and to apply the criteria to the aggregate value.

Moreover, Mafube Local Municipality has determined that assets with a useful life of less than 12 months or a cost below R 2 500.00 will not be accounted for in the financial statements. This decision is based on the immateriality of these assets, as recognized by GRAP 17, acknowledging that the administrative burden and cost associated with accounting for such assets may outweigh the benefits. This approach enables a streamlined asset management system that focuses resources on significant assets, aligning with the practicality and cost-effectiveness considerations of the municipality's operations, as permitted by the MFMA Local Government Capital Asset Management Guideline.

These assets can be found on a control list or small asset list that is in place for record-keeping purposes for all assets that fall within the above-mentioned criteria. All expenditure on items that meet the criteria above in the current financial year is to be expensed through the statement of financial performance.

PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, acting in strict compliance with the criteria set out in GRAP 17 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

PART 15 CAPITALISATION CRITERIA: 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.

PART 16 MAINTENANCE PLANS

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.

If so directed by the municipal manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, of the

extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

PART 17 DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the chief financial officer shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 19 DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, deprecation charges shall be calculated monthly.

Each head of department, 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 department 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.

PART 20 RATE OF DEPRECIATION

The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life, the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary, in consultation with the head of department who shall control or use the fixed

asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

All assets included in the fixed asset register (excluding land, heritage assets and investment properties) will be allocated a residual value, based on the guidelines of GRAP 17. The amount of residual value will be assigned by the chief financial officer at initial recognition of the asset and thereafter be reviewed on an annual basis, to ensure the appropriateness of the amount.

PART 21 METHOD OF DEPRECIATION

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the diminishing balance method of depreciation over the assigned useful operating life of the asset in question, taking into consideration the residual value of the asset.

PART 22 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the 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.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

The municipality will assess and recognize impairment losses in accordance with the requirements of GRAP 21 when assets have significantly deteriorated and can no longer fulfill their intended purpose, ensuring accurate financial reporting and sound asset management practices.

According to GRAP 17.56 to 59, estimated useful life refers to the period over which an asset is expected to be available for use by the entity. It represents the initial assessment of the total expected useful life of the asset, considering factors such as physical wear and tear, technological obsolescence, legal or contractual limitations, and expected patterns of consumption.

On the other hand, remaining useful life refers to the portion of the estimated useful life that is yet to be consumed or utilized as of a particular reporting date. It is the updated assessment of how much longer the asset is expected to provide economic benefits to the entity, considering its current condition and usage.

In summary, estimated useful life is the initial estimate of the entire useful life of an asset, while remaining useful life represents the portion of that estimated life that is remaining at a given point in time.

In accordance with the MFMA – Local Government Capital Asset Management Guideline, Mafube Local Municipality acknowledges that the determination of the useful life and residual value of a particular class of assets requires judgment based on operational experience and consultation with specialists, such as engineers. The municipality's management is empowered to exercise discretion in determining the estimated useful life and residual value of assets, taking into consideration factors specific to the municipality.

Mafube Local Municipality recognizes the importance of aligning the estimated useful life of assets with operational realities and will adhere to the prescribed consultation process and approval mechanisms outlined by the MFMA guidelines. This ensures that the municipality maintains transparency and accountability in its capital asset management practices while making informed decisions regarding the useful life of its assets.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be de-recognised in the financial year in which such event occurs.

In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

The chief financial officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The chief financial officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

- estimates of statistical information required by the chief financial officer to prepare estimates of depreciation expenses for each financial year; and
- actual statistical information, for each financial year.

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 24 CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

PART 25 REVALUATION OF FIXED ASSETS

In the event that an asset is revalued, the chief financial officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the chief financial officer is satisfied that such value reflects the fair value of the fixed asset concerned.

The chief financial officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

The chief financial officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see part 24 above).

If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the chief financial officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

PART 26 VERIFICATION OF FIXED ASSETS

Every head of department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

Every head of department shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

All movable assets shall be actively controlled, including an half - yearly verification process.

Procedures and Rules

• All movable assets, where practicable, must have a visible bar code or unique asset marking as determined by the Chief Financial Officer.

• Half - yearly verification of movable assets should be conducted under the direction of Asset Management Unit. This procedure would enable the municipality to identify discrepancies and dispositions and properly investigate and record the transactions.

• The Asset Management Unit shall co-ordinate and control regular physical checks, and all discrepancies are to be reported immediately to the Chief Financial Officer.

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

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

- If for any reason the person from whom the asset is being taken over is not available, the asset manager should assist the person taking over with the checking of the equipment and the certification of any discrepancies.
- In case of failure to comply with the requirements of a handing-over certificate, the person taking over shall be liable for any shortages, unless it can be established that the shortages existed prior to their taking over.
- Any losses of and damage to equipment, excluding discrepancies at stocktaking of losses resulting from normal handling or reasonable wear and tear, shall be reported to the Chief Financial Officer.
- Independent checks from asset records shall be conducted to ensure that the assets physically exist, especially those that could be disposed of without a noticeable effect on operations.
- Half - yearly physical inspections of assets shall be performed to identify items which are damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, written off or disposed off.

PART 27 ALIENATION OF FIXED ASSETS

NOTE: The reference to the asset financing reserve below is based on the assumption that the reserve is allowed.

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R1 000 (one thousand rand).

The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R1 000 (one thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the income statement of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the department or vote concerned.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

PART 28 OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset even though fully depreciated shall be written off only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the council of the municipality.

Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction, damage 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 department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

PART 29 REPLACEMENT NORMS

The municipal manager, in consultation with the chief financial officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery, but which have become uneconomical to maintain.

PART 30 INSURANCE OF FIXED ASSETS

The municipal manager shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

If the municipality operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.

The municipal manager shall recommend to the council of the municipality, after consulting with the chief financial officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The chief financial officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

PART 31 BIOLOGICAL ASSETS

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

The chief financial officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether and such details shall reflect the information which the chief financial officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the municipality considers such insurance desirable and affordable.

PART 32: CORRECTION IMPLEMENTATION

In alignment with the principles of GRAP and our commitment to enhancing asset management practices, the Mafube Local Municipality has adopted the Asset Management Policy prospectively. This approach ensures compliance with GRAP 3 regarding changes in accounting estimates and provides a structured framework for assessing the accuracy and completeness of asset information. Through this application, we aim to:

Improve the accuracy of asset recognition, valuation, and disclosure in accordance with GRAP 17;

Assess the performance, condition, and useful lives of assets using consistent and transparent criteria;

Identify discrepancies and opportunities for improved asset management practices in line with GRAP principles;

Enhance the reliability of financial reporting and support informed decision-making regarding municipal assets.

PART 33: De-recognition:

An item of property, plant and equipment shall be derecognised:
On disposal, or

When no future economic benefits or service potential are expected from its use or disposal.

For assets that are identified as 'not found' and where, after thorough investigation and impairment assessment, it is concluded that there is no reasonable expectation of recovery or future economic benefits/service potential, the asset shall be derecognised from the asset register.

The gain or loss arising from the derecognition of an asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such gain or loss shall be recognised in surplus or deficit when the item is derecognised.

All derecognitions must be properly authorised by the Chief Financial Officer and fully documented, including supporting investigation reports and impairment assessments.

PART 34: Review of Residual Value:

The residual value of an item of property, plant and equipment should be reviewed annually, and this amount may increase to an amount equal to or greater than the asset(s) carrying amount.

If expectations differ from previous estimates, the change shall be accounted for as a change in accounting estimate, and the depreciation charge for the current and future periods should be adjusted.

PART 35 ANNEXURE: FIXED ASSET LIVES

INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

*	Electricity Network	(15-50)
*	Roads Network	(15-50)
*	Wastewater Network	(15-50)
*	Water Network	(15-80)
*	Sewerage Network	(15-50)

COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

* Buildings and other assets (15-50)

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

INVESTMENT ASSETS

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

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties) (30)

- Shopping centres (again developed along similar lines) (30)

- Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit) (30)

OTHER ASSETS

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

* Land	Not depreciated
* Landfill site	(20 to 35)
* Computer equipment	(5 -15)
* Furniture and office equipment	(5 -15)
* Leased computer equipment	(5 -15)
* Leased furniture and office equipment	(5 -15)
* Machinery and equipment	(5 -20)
* Transport assets	(5 -15)

PART 36 ANNEXURE:
PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A municipality may alienate any other capital asset, but provided

- the council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- the council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

The Accounting officer may deviate or override provisions of this policy where necessary.