

UMUZIWABANTU MUNICIPALITY



ASSET MANAGEMENT POLICY

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PREAMBLE

As part of its mandate to deliver services to the community, uMuziwabantu Municipality has to manage the resources under its control to ensure they are utilised efficiently and effectively. As custodians of the financial resources of this Council, the Finance Department has to have in place policies and procedures to be able to manage, operationally and strategically, all transactions that have a financial implication. This effectively means all transactions of the Council need to have a related policy to ensure that monies are being utilised for the benefit of the municipality.

This document sets out such procedures that are aligned to Council-approved policies to ensure that the functions and responsibilities of this Department are carried out correctly and that persons occupying positions within the department are informed as to their duties and responsibilities. Furthermore, the Manager of this department is able to measure the performance of the individuals and, more importantly, the department as a whole in the context of the Council's mission and vision.

There are numerous legal requirements that this department must comply with and the key legislation includes the following:

- KwaZulu and Natal Joint Services Act Act 85
- The Auditor General Act, 1995 (Act 12 of 1995);
- The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996);
- The Municipal Finance Management Act, 2003;
- The Municipal Structures Act, 2000 (Act 117 of 2000); and
- The Municipal Systems Act, 2000 (Act 32 of 2000).

Other standards and impending legislation that have to be complied with include:

- Code of Accounting Practice for Local Authorities; and
- **Generally Recognised Accounting Practice** replaces GAMAP

There are numerous pieces of legislation and standards which need to be complied with. This makes the task of financial control more onerous and the Municipal Manager and the Chief Financial Officer will be required to be aware of these requirements. The need for and the maintenance of, a dynamic policy register will become an indispensable management tool for all the management and financial staff.

1. DEFINITION OF A FIXED ASSET

- 1.1. A fixed asset is defined in Generally Accepted Municipal Accounting Practice as a tangible item of property, plant or equipment held by a municipality for use in the production 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).
- 1.2. 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.
- 1.3. To be recognised as a fixed asset, an asset must also meet the criteria referred to in sections 13, 14 and 15 below.
- 1.4. 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.

2. ROLE OF MUNICIPAL MANAGER

- 2.1. 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.
- 2.2. In terms of section 63 of the Municipal Finance Management Act, 2003, the accounting officer is responsible for the assets of the municipality, including the

safeguarding and maintenance of those assets, and must take all reasonable steps to ensure:

- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality,
- (b) that the municipality's assets are valued in accordance with standards of generally accepted accounting practice, and
- (c) that the municipality has and maintains a system of internal control of assets, including an asset register, as may be prescribed.

3. ROLE OF CHIEF FINANCIAL OFFICER

- 3.1. The chief financial officer or his delegate shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained.
- 3.2. 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.

4. FORMAT OF FIXED ASSET REGISTER

- 4.1. The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and generally accepted municipal accounting practice (GAMAP) and any other accounting requirements which may be prescribed.
- 4.2. 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 department(s) or vote(s) within which the assets will be used
- 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 section 11 below
- the original cost, or the revalued amount determined in compliance with section 26 below, or the fair value if no costs are available
- the (last) revaluation date of the fixed assets subject to revaluation
- the revalued value of such fixed assets
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- the source of financing
- the current insurance arrangements
- whether the asset is required to perform basic municipal services
- whether the asset has been used to secure any debt, and if so, the nature and duration of such security arrangements
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

4.3. 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.

- 4.4. A fixed asset shall be capitalized, 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, where after it shall be appropriately capitalized as a fixed asset.
- 4.5. 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.

5. CLASSIFICATION OF FIXED ASSETS

- 5.1. 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)
- 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 (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

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

5.2. The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see section 32 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

6. INVESTMENT PROPERTY

- 6.1. Investment assets shall be accounted for in terms of International Accounting Standards 40 and **GRAP 17** and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.
- 6.2. Investment assets shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.
- 6.3. 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.
- 6.4. Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains

- (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.
- 6.5. An expert valuer shall be engaged by the municipality to undertake such valuations.
- 6.6. 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, where after it shall be reclassified as an investment asset.

7. FIXED ASSETS TREATED AS INVENTORY

- 7.1. 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.
- 7.2. 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.

8. RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

- 8.1. 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.
- 8.2. For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

9. RECOGNITION OF DONATED ASSETS

- 9.1. Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the chief financial officer.

10. RECONCILIATION TO THE GENERAL LEDGER

- 10.1. The Supply Chain Unit and the Fixed Asset section are responsible for reconciling the Asset register with the General ledger asset accounts on a monthly basis. Any discrepancies arising are investigated and corrective action taken to bring the two records into balance

11. SAFEKEEPING OF ASSETS

- 11.1. All assets should be used for the purposes they were acquired.

- 11.2. Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question. This includes ensuring that assets are used only by the authorized persons, safeguarded against theft and damage and only removed with approval from the HOD.
- 11.3. All staff is responsible for the care and protection of the Municipality assets. Every person who utilizes the property of the Municipality should do so with utmost care and consideration and in a manner which ensures the property will be subjected to the minimum wear and tear or damage.
- 11.4. The safeguarding of equipment such as PCs, laptops and cameras is particularly important not only because of their attractive and portable nature but also because of the confidential information that they must contain. Steps must be taken to limit the risk of loss or theft including
- (a) keeping offices locked when unattended and when travelling;
 - (b) not leaving items unattended in public places, particularly in motor vehicles
 - (c) in the case of laptops by transporting them in other than normal laptops bags
- 11.5. As far as possible all non leased assets should be permanently marked as being the property of the Municipality.
- 11.6. In exercising this responsibility, every head of department shall adhere to any written directives issued by the Municipal manager or the Chief Financial Officer to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

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12. TRANSFERS WITHIN THE MUNICIPALITY

- 12.1. Often particular assets considered obsolete or surplus to requirements in a particular department may be of value and use to another department. When it appears that this may be the case, advice should be provided to the Finance Officer- Fixed Assets who will ensure a transfer form has been authorized by relevant persons.

13. IDENTIFICATION OF FIXED ASSETS

- 13.1. The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.
- 13.2. 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.
- 13.3. 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.

14. PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

- 14.1. 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.
- 14.2 **The report should cover all relevant matters including a recommendation to refer the matter to the SAPS if appropriate and the Insurers**

15. CAPITALISATION CRITERIA: MATERIAL VALUE

- 15.1. No item with an initial cost or fair value of less than R5 000 (five thousand rand), or such other amount as the council of the municipality may from time to time determine on the recommendation of the municipal manager, shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalization benchmark, it shall be treated as an ordinary operating expense.
- 15.2. Every head of department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stock sheet. Every head of department shall moreover ensure that the existence of items recorded on such stock sheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stock sheets pursuant to such stock verifications shall be retained for audit purposes.

16. CAPITALISATION CRITERIA: INTANGIBLE ITEMS

- 16.1. 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 IAS 38 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

16. CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

- 16.1. Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalized.
- 16.2. Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalized, irrespective of the quantum of the expenses concerned.
- 16.3. Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalized as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, and installation, assembly and communication costs.

17. MAINTENANCE PLANS

- 17.1. 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.
- 17.2. 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.

17.3. The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than 31 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.

18. DEFERRED MAINTENANCE

18.1. 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 section 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.

18.2. 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.

19. GENERAL MAINTENANCE OF FIXED ASSETS

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

20. DEPRECIATION OF FIXED ASSETS

- 20.1. All fixed assets, except land and heritage assets, shall be depreciated, or amortized in the case of intangible assets.
- 20.2. 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.
- 20.3. 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.
- 20.4. 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, depreciation charges shall be calculated monthly.
- 20.5. 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.
- 20.6. The procedures to be followed in accounting and budgeting for the amortization of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

21. RATE OF DEPRECIATION

- 21.1. 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 section 32 below).
- 21.2. 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.

22. METHOD OF DEPRECIATION

- 22.1. Except in those cases specifically identified in section 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

23. AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

- 23.1. 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.

- 23.2. 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.
- 23.3. 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.
- 23.4. Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.
- 23.5. 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.
- 23.6. 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.
24. **ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES**

- 24.1. 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.
- 24.2. 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.
- 24.3. The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.
- 24.4. 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.

25. CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

- 25.1. The chief financial officer shall ensure that in respect of all fixed assets financed from the municipality's asset financing reserve, or from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the

municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

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

27. CARRYING VALUES OF FIXED ASSETS

- 27.1. 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.
- 27.2. The only exceptions to this rule shall be revalued assets (see section 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see section 8 above).

28. REVALUATION OF FIXED ASSETS

- 28.1. All land and buildings recorded in the municipality's fixed asset register shall be revalued with the adoption by the municipality of each new valuation roll

- (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).
- 28.2. 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.
- 28.3. 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.
- 28.4. 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.
- 28.5. 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 section 24 above).
- 28.6. 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.

- 28.7. 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).

29. VERIFICATION OF FIXED ASSETS

- 29.1. 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.
- 29.2. 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.
- 29.3. The municipality must maintain a proper file of all documentation for all assets reflected on the asset register as required by the Office of the Auditor General, including acquisitions, disposals, write off's etc.

30 DISPOSAL OF FIXED ASSETS

- 30.1. Disposals of fixed assets should be in accordance with section 14 of the MFMA, 56 of 2003
- 30.2 In compliance with the principles and prescriptions of the Municipal Finance Management Act, 2003, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.
- 30.3. In terms of section 14 of the Municipal Finance Management Act, 2003, a municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- 30.4. A municipality may transfer ownership or otherwise dispose of a capital asset other than the one contemplated in 28.2 above, but only after the municipal council, in a meeting open to the public:
- (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and
 - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- 30.5. A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after the asset has been sold, transferred or otherwise disposed of.

- 30.6. A municipal council may delegate to the accounting officer of a municipality its power to make the determinations referred to in 28.3 in respect of movable capital assets below a value determined by the council.
- 30.7. Section 14 of the Municipal Finance Management Act, 2003, does not apply to the transfer of a capital asset to another municipality or to a municipal entity, or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.
- 30.8. Once the fixed assets are disposed, the chief financial officer shall delete the relevant records from the fixed asset register.
- 30.9. If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the income statement of the department or vote concerned. If the proceeds of the disposal, 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.
- 30.10. All gains realised on the disposal of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the disposal of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the disposal of the fixed assets of any department or vote, only the net gain (if any) on the disposal of such fixed assets shall be appropriated.
- 30.11. 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 disposal shall be by private treaty/agreement.

31. OTHER WRITE-OFFS OF FIXED ASSETS

- 31.1. 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.
- 31.2. Every head of department shall report 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 dispose in terms of the Supply Chain Policy. The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such co any fixed assets which such consolidated information to the Municipal Manager and Council.
- 31.3. The only reasons for writing off fixed assets, other than the disposal of such fixed assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.
- 31.4. In every instance where a fixed asset which is not fully depreciated 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 section 22).

32. REPLACEMENT NORMS

32.1. 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.

33. INSURANCE OF FIXED ASSETS

33.1. **The Municipality shall insure all assets subject to significant risk.**

33.2 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.

33.2. 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.

33.3. 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.

- 33.4. 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.

34. 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	
	Power stations	(30)
	Cooling towers	(30)
	Transformer kiosks	(30)
	Meters	(20)
	Load control equipment	(20)
	Switchgear	(20)
	Supply and reticulation networks	(20)
	Mains	(20)
*	Roads	

	Motorways	(15)
	Other roads	(10)
	Traffic islands	(10)
	Traffic lights	(20)
	Street lights	(25)
	Overhead bridges	(30)
	Stormwater drains	(20)
	Bridges, subways and culverts	(30)
	Car parks	(20)
	Bus terminals	(20)
*	Water	
	Mains	(20)
	Supply and reticulation networks	(20)
	Reservoirs and storage tanks	(20)
	Meters	(15)
	Rights (that is, the right to draw water from a particular source belonging to another party)	(20)
*	Gas	
	Supply and reticulation networks	(20)
	Storage tanks	(20)
	Mains	(20)

	Meters	(20)
*	Sewerage	
	Sewer mains	(20)
	Outfall sewers	(20)
	Sewage purification works	(20)
	Sewerage pumps	(15)
	Sludge machines	(15)
*	Pedestrian malls	
	Footways	(20)
	Kerbing	(20)
	Paving	(20)
*	Airports	
	Runways	(20)
	Aprons	(20)
	Taxiways	(20)
	Airport and radio beacons	(20)
*	Security measures	
	Access control systems	(5)
	Security systems	(5)
	Security fencing	(3)

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	
Ambulance stations	(30)
Aquariums	(30)
Beach developments	(30)
Care centres	(30)
Cemeteries	(30) #
Civic theatres	(30)
Clinics and hospitals	(30)
Community centres	(30)
Fire stations	(30)
Game reserves and rest camps	(30)
Indoor sports	(30)
Libraries	(30)
Museums and art galleries	(30)
Parks	(30)
Public conveniences and bath houses	(30)
Recreation centres	(30)
Sports and related stadiums	(30)
Zoos	(30)
* Recreation facilities	
Bowling greens	(20)
Tennis courts	(20)
Swimming pools	(20)

Golf courses	(20)
Jukskei pitches	(20)
Outdoor sports facilities	(20)
Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	(20)
Lakes and dams	(20)
Fountains	(20)
Flood lighting	(20)

Sum-of-units method of depreciation may be preferred.

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:

- | | | |
|---|--|------|
| * | Buildings | |
| | Abattoirs | (30) |
| | Asphalt plant | (30) |
| | Cable stations | (30) |
| | Caravan parks | (30) |
| | Compacting stations | (30) |
| | Hostels used to accommodate the public or tourists | (30) |
| | Hostels for municipal employees | (30) |
| | Housing schemes | (30) |
| | Kilns | (30) |
| | Laboratories | (30) |
| | Fresh produce and other markets | (30) |
| | Nurseries | (30) |

	Office buildings	(30)
	Old age homes	(30)
	Quarries	(30)
	Tip sites	(30)
	Training centres	(30)
	Transport facilities	(30)
	Workshops and depots	(30)
*	Office equipment	
	Computer hardware	(5)
	Computer software	(3-5)
	Office machines	(3-5)
	Air conditioners	(5-7)
*	Furniture and fittings	
	Chairs	(7-10)
	Tables and desks	(7-10)
	Cabinets and cupboards	(7-10)
*	Bins and containers	
	Household refuse bins	(5)
	Bulk refuse containers	(10)
*	Emergency equipment	
	Fire hoses	(5)
	Other fire-fighting equipment	(15)
	Emergency lights	(5)
*	Motor vehicles	
	Ambulances	(5-10)

	Fire engines	(20)
	Buses	(15)
	Trucks and light delivery vehicles	(5-7)
	Ordinary motor vehicles	(5-7)
	Motor cycles	(3)
*	Plant and equipment	
	Graders	(10-15)
	Tractors	(10-15)
	Mechanical horses	(10-15)
	Farm equipment	(5)
	Lawn mowers	(2)
	Compressors	(5)
	Laboratory equipment	(5)
	Radio equipment	(5)
	Firearms	(5)
	Telecommunication equipment	(5)
	Cable cars	(15)
	Irrigation systems	(15)
	Cremators	(15)
	Lathes	(15)
	Filling equipment	(15)
	Conveyors	(15)
	Feeders	(15)
	Tippers	(15)
	Pulverizing mills	(15)
*	Other	
	Aircraft	(15)
	Watercraft	(15)

Sum-of-units may be preferred.

**35. 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.

36. EFFECTIVE DATE

- The policy shall come to effect upon approval by Council.
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37 . POLICY ADOPTION

- This policy has been considered and approved by the **COUNCIL OF THE UMUZIWABANTU LOCAL MUNICIPALITY** as follows:
- Resolution No:.....
- Approval Date:.....30 May 2017