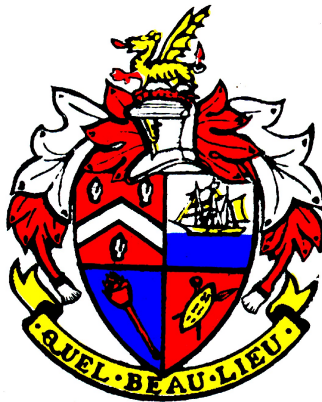


**RICHMOND LOCAL
MUNICIPALITY**



**ASSET MANAGEMENT POLICY FINAL
2024/2025**



Contents

1	Key definitions	1
2	Asset Management Policy Summary	5
3	Classification of fixed assets	1
3.1	Summary sheet	1
3.2	Property, plant and equipment	1
3.3	Investment property	1
3.3.1	Accounting and recording	1
3.3.2	Depreciation	2
3.3.3	Valuation	2
3.4	Inventory	3
3.4.1	Accounting for inventory	3
3.4.2	Recording	4
3.5	Heritage assets	4
3.5.1	Fixed assets register	4
3.5.2	Annual financial statements	4
4	Safekeeping and identification of fixed assets	6
4.1	Summary Sheet	6
4.2	Safekeeping	6
4.3	Identification	6
4.4	Verification	7
5	Fixed assets register	9
5.1	Summary sheet	9
5.2	Format of the fixed assets register	9
5.3	Provision of information for the fixed asset register	10
5.4	Recording on the register	10
5.5	Carrying value	11
6	Acquisition and replacement of fixed assets	12
6.1	Summary Sheet	12
6.2	Acquisition of fixed assets	12
6.3	Replacement of fixed assets	12
7	Capitalisation criteria	14
7.1	Summary Sheet	14
	Material value	14
	Material value to record an asset	14

Inventory listing	14
Intangible items	14
Reinstatement, maintenance and other expenses	15
Enhancement costs	15
Maintenance costs	15
Expenses to bring the asset into operation	15
8 General, planned and deferred Maintenance	17
8.1 Summary sheet	17
8.2 General and planned maintenance	17
8.2.1 Maintenance planning	17
8.3 Deferred maintenance	18
8.3.1 Disclosure of deferred maintenance	18
9 Depreciation	19
9.1 Summary sheet	19
9.2 Depreciation	19
9.2.1 Assets to depreciate	19
9.2.2 Calculation of depreciation	19
9.2.3 Rate of depreciation	20
9.2.4 Depreciation rate	20
10 Amendment of asset lives and diminution in value of fixed assets	21
10.1 Summary Sheet	21
10.2 Amendment of asset lives	21
10.2.1 Authority to amend useful life	21
10.2.2 Circumstances to amend useful life	21
10.3 Diminution in fixed asset value	22
10.3.1 Circumstances to fully depreciate fixed assets	22
10.4 Impairment of fixed assets	22
11 Funding sources and reserves	24
11.1 Summary sheet	24
12 Re-valuation of fixed assets	27
12.1 Summary sheet	27
13 Insurance, loss, damage, theft	29
13.1 Summary sheet	29
13.2 Insurance of fixed assets	29
13.3 Loss, damage, theft of fixed assets	30
14 Disposal and retirement from use	31



14.1	Summary Sheet	31
14.2	Disposal of fixed assets	31
14.3	Other write-offs	31
15	Accounting and financial statement disclosure	33
15.1	Summary Sheet	33

1 Key definitions

"Accounting Officer"-

Means the Municipal Manager;

"Asset"

Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

"Basic Municipal Service"

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

"Carrying Amount"

The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

"Chief Financial Officer"

Means a person designated in terms of section 80(2) (a) of the MFMA;

"Cost"

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 initially recognised in accordance with the specific requirements of other Standards of GRAP

"Councillor"

Means a member of a municipal council;

"Current year"

Means the financial year, which has already commenced, but not yet ended;

"Depreciable amount"

The cost of an asset, or other amount substituted for cost, less its residual value.

"Depreciation"

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

"Fair value"

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

"Financial year"

Means a twelve months period commencing on 1 July and ending on 30 June each year

"Financing agreement"

Includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

“GAMAP / GRAP 17”

The accounting standards applicable to municipalities

GAMAP – Generally Accepted Municipal Accounting Practice

GRAP – Generally Recognised Accounting Practice

“Heritage assets”

Some assets are described as “heritage assets” because of their cultural, environmental or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art.

“Impairment loss”

- Of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- Of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

“Infrastructure assets”

These assets usually display some or all of the following characteristics:

- (a) They are part of a system or network,
- (b) They are specialised in nature and do not have alternative uses,
- (c) They are immovable, and
- (d) They may be subject to constraints on disposal.

Examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks.

“Inventory”

Are assets:

- (a) In the form of materials or supplies to be consumed in the production process,
- (b) In the form of materials or supplies to be consumed or distributed in the rendering of services,
- (c) Held for sale or distribution in the ordinary course of operations, or
- (d) In the process of production for sale or distribution.

"Investment"

In relation to funds of a municipality, means-

- (a) The placing on deposit of funds of a municipality with a financial institution; or
- (b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

“Investment properties”

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.



"Local community"

Has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act"

Means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act"

Means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"Long-term debt"

Means debt repayable over a period exceeding one year;

"Municipal council" or "Council"

Means the council of a municipality referred to in section 18 of the Municipal Structures Act; (refer to the MSA for definition);

"Municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) When referred to as a geographic area, means a municipal area determined terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"MFMA"

The Local Government: Municipal Finance Management Act (No. 56 of 2003)

"Municipal Manager" "MM"

Means a person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act;

"Municipal service"

Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"National Treasury" "NT"

Means the National Treasury established by section 5 of the Public Finance Management Act;

"Official"

Means-

- (a) An employee of a municipality or municipal entity;
- (b) A person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) A person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee

"Property Plant and Equipment"

Are tangible items that:

- (a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- (b) Are expected to be used during more than one reporting period.

“PT”, “Provincial Treasury”

Means the Provincial Treasury branch established by section 5 of the Public Finance Management Act;

"Quarter"

Means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

“Recoverable amount”

The higher of a cash-generating asset’s net selling price and its value in use.

“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.

“Useful life”

- (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.

"Vote"

Means-

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.



2 Asset Management Policy Summary

Objectives	Key principles to be achieved
The objectives of this policy are to ensure that assets are managed and accounted for by: - Physical control over fixed assets - Accurate recording of fixed assets and related transactions - Compliance with municipal legislation and accounting standards - Compliance with accounting policies - Providing management information on fixed assets	- Safekeeping of assets - Accurate, complete recording of all the municipality's fixed assets - Each strategic head is responsible for the fixed assets in their department - Asset register must balance to the financial statements - Fixed assets must be properly maintained and insured - The fixed assets register and annual financial statements must comply with the applicable accounting standards and legislation applicable at the time

Key performance areas (strategic intent)
- Classification of fixed assets - Safekeeping and identification of fixed assets - Format of fixed assets register - Acquisition and replacement - Capitalisation criteria - General planned & deferred Maintenance - Depreciation of fixed assets - Amendment of asset lives and diminution in value of fixed assets - Creation of non-distributable reserves - Re-valuation of fixed assets - Insurance, loss, damage, theft - Disposal and retirement from use



3 Classification of fixed assets

3.1 Summary sheet

Objectives	Policy statement	Responsibilities
To ensure that fixed assets meeting certain criteria and characteristics are grouped and classified together according to regulated guidelines and standards	Property, plant and equipment The Strategic Head: Financial Services that all fixed assets are classified as follows in the Annual Financial Statements and fixed assets register: • Land and buildings • Infrastructure assets • Community assets • Heritage assets • Investment property • Other assets Investment property These are investment assets held as resources for capital or operational gain. Accounting and recording • Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the	Chief Financial Officer Document and communicate classification of fixed assets to strategic managers Strategic departmental managers • Take steps to ensure that fixed asset records are maintained in terms of the classifications supplied by the CFO. • Ensure that all amendments to the assets records and results of fixed asset counts are submitted according to the correct classifications



Objectives	Policy statement	Responsibilities
	municipality's statement of position. - Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separately on the fixed assets register - 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. Depreciation - 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 statement of position at such fair value. Valuation - 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.	



Objectives	Policy statement	Responsibilities
	- An expert valuer shall be engaged by the municipality to undertake such valuations. - Where 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. Inventory This is rental or housing stock which is not held for capital gain Accounting for inventory - This includes: - Land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business - 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	



Objectives	Policy statement	Responsibilities
	These assets 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. Recording Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but in a separate section Heritage assets Fixed assets register If no original costs or fair values are available in the case of heritage assets, the chief financial officer may record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned. Annual financial statements For purposes of compiling the statement of position, the existence of such heritage assets shall be disclosed by means of an appropriate note.	





4 Safekeeping and identification of fixed assets

4.1 Summary Sheet

Objectives	Policy statement	Responsibilities
To prevent the loss, damage or theft from the misappropriation or misuse of fixed assets owned by the municipality	Safekeeping Each strategic manager shall: • Be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question. • Take the necessary steps to ensure the safekeeping of fixed assets under their control • Adhere to any written directives issued by the chief financial officer in regard to the control of or safekeeping of the municipality's fixed assets. Identification • The chief financial officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its fixed asset register. • The identification system shall be determined by the chief financial officer: - Acting in consultation with the	Chief Financial Officer • Safekeeping and marking of fixed assets within department • Marking of and recording of fixed assets in the municipality's fixed assets register Strategic departmental managers • Safekeeping of fixed assets within their departments • Provide update information on new assets purchased, disposed of or moved to the CFO • Annual verification and reporting on fixed assets by 30 June each year



Objectives	Policy statement	Responsibilities
	municipal manager and other strategic managers - Comply with any legal prescriptions - Be decided upon within the context of the municipality's budgetary and human resources available. • Every strategic manager shall ensure that the asset identification system approved for the municipality is properly applied in respect of all fixed assets controlled or used in their department Verification • Every strategic manager shall undertake a comprehensive verification of all fixed assets under their control: - At least once during June of every financial year - In compliance with the relevant written directives issued by the chief financial officer - 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,	



Objectives	Policy statement	Responsibilities
	- Not later than 30 June	



5 Fixed assets register

5.1 Summary sheet

Objectives	Policy statement	Responsibilities
To ensure that all of the municipality's fixed assets are recorded in such a way to enable adequate management and accounting for fixed assets	Format of the fixed assets register The fixed assets register should contain the following for each item of property, plant and equipment: • Acquisition dates • Clear descriptions of individual items • Location • Department / service that controls the asset • A unique asset identification number • The original cost / fair value • Depreciation charge and accumulated depreciation • Carrying amount • Method and rate of depreciation • Impairment losses incurred during the year	Chief Financial Officer • Updated maintenance of the fixed asset register in the required format • Accuracy of the fixed assets register and reconciliation to annual financial statements • Marking and recording of changes to fixed assets in the fixed assets register Strategic departmental managers • Provision of information to the CFO for any changes in the details of the fixed assets under their control



Objectives	Policy statement	Responsibilities
	• Source of financing • Insurance arrangements • Disposal date and price • Date retired from use • Re-valued amounts Provision of information for the fixed asset register Each strategic manager 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 • Promptly advise the chief financial officer in writing of any material change which may occur in respect of such information Recording on the register • A fixed asset shall be recorded in the fixed assets register, as soon as it is acquired • Where the asset is constructed over a period of time, it shall be recorded as	



Objectives	Policy statement	Responsibilities
	work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset • A fixed asset shall remain in the fixed assets register for as long as it is in physical existence Carrying value • 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 re-valued assets and heritage assets in respect of which no value is recorded in the fixed asset register.	



6 Acquisition and replacement of fixed assets

6.1 Summary Sheet

Objectives	Policy statement	Responsibilities
- To ensure fair, transparent and equitable acquisition of fixed assets in terms of the supply chain management policy, capital budget and IDP priorities - To ensure that fixed assets are replaced when they have exhausted their effective service potential	Acquisition of fixed assets - The Chief Financial Officer will develop and provide a form to be completed by strategic managers for new acquisitions. - Each strategic manager will promptly inform the CFO of new fixed assets taken into use in the format requested by the CFO. Replacement of fixed assets - Fixed assets will be replaced when they can no longer deliver the services effectively and efficiently. - Each strategic manager will assess the service potential of the fixed assets under their control annually - The results of these assessments will be included into each strategic manager's contribution to the IDP and capital budgeting process	Council Approval of the IDP and capital budget Chief Financial Officer - Communicate the format of information for new acquisitions to each Strategic manager - Recording all new acquisitions accurately into the fixed assets register - Marking fixed asset acquisitions for identification purposes Strategic departmental managers - Promptly providing the CFO with information about new fixed asset acquisitions taken into use in the prescribed format - Judge the service potential of the fixed assets under their control at least annually - Submit the replacement requirements as part of the annual IDP revision and



Objectives	Policy statement	Responsibilities
		capital budget



7 Capitalisation criteria

7.1 Summary Sheet

Objectives	Policy statement	Responsibilities
To ensure that only items that meet the criteria and characteristics for fixed assets are capitalised as such	Material value Material value to record an asset - Only fixed assets with an initial cost or fair value of less than R5 000 shall be recognised as a fixed asset. - Item with a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense. Inventory listing - Every strategic manager shall ensure that any item with a value in excess of R1 000 and with an estimated useful life of more than one year, shall be recorded on an inventory listing. - Every strategic manager shall moreover ensure that the existence of items recorded on such inventory list is verified at least once in every financial year. Intangible items - Intangible items are not recognised as a	Chief Financial Officer - Must ensure that only capital expenditures are capitalized as fixed assets - Provide criteria for the recognition of fixed assets to each strategic manager Strategic departmental managers - Where staff in other departments record accounting transactions, the relevant strategic manager is responsible to ensure that only capital expenditure is recorded as a capital item in the accounting records - The strategic manager must also ensure that such capital expenses are recorded on the fixed assets register by supplying the relevant information to the CFO in the required format.



Objectives	Policy statement	Responsibilities
	fixed asset, - 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. Reinstatement, maintenance and other expenses Enhancement costs - Only expenses incurred in the following shall be capitalised: - Enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) - Material extension of the useful Maintenance costs Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses Expenses to bring the asset into	



Objectives	Policy statement	Responsibilities
	operation • Expenses to bring the fixed asset into operation of will be capitalised as part of such fixed asset. • Such expenses may include the following costs: - Import duties - Forward cover - Transportation - Installation - Assembly - Commissioning	



8 General, planned and deferred Maintenance

8.1 Summary sheet

Objectives	Policy statement	Responsibilities
To ensure that fixed asset maintained to a level to ensure that the fixed asset can be used efficiently and services can be effectively rendered to the community by: - Planned maintenance - General maintenance - Reporting and follow-up of deferred maintenance	General and planned maintenance - Every strategic manager shall be directly responsible for ensuring that all assets are properly maintained to ensure: - That such assets provide the desired level of service and - Attain their useful operating lives Maintenance planning - An annual maintenance plan shall be prepared and submitted by each strategic manager when the capital and operating budget is prepared annually - A 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 strategic manager of the department controlling or using the infrastructure asset in question, shall annually report to	Chief Financial Officer - Disclose deferred maintenance in the annual financial statements Strategic departmental managers - Prepare annual maintenance plans for submission with the capital budget - Implement and report on the progress of the maintenance plan



Objectives	Policy statement	Responsibilities
	the council at least quarterly) on: - The extent to which the relevant maintenance plan has been complied with - The likely effect which any non-compliance may have on the useful operating life of the asset concerned. Deferred maintenance Disclosure of 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 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.	



9 Depreciation

9.1 Summary sheet

Objectives	Policy statement	Responsibilities
To ensure that the accounting records and annual financial statements reflect fixed assets at a value in accordance with the rate at which the economic benefits and service potential has been utilised	Depreciation Assets to depreciate All fixed assets, except land and heritage assets, shall be depreciated. Calculation of depreciation - Depreciation will 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. - 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	Chief Financial Officer - Assigns a useful operating life and depreciation rate to each depreciable asset recorded on the municipality's fixed asset register Strategic departmental managers - Annually review the useful life and depreciation rate of the fixed assets under their control for reasonability and report to the CFO by 30 June



Objectives	Policy statement	Responsibilities
	calculated monthly. - Depreciation will be included in the annual operating budget 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 - The useful life shall be determined in consultation with the strategic manager concerned Depreciation rate - 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.	



10 Amendment of asset lives and diminution in value of fixed assets

10.1 Summary Sheet

Objectives	Policy statement	Responsibilities
To ensure that the amendment of asset lives or the diminution in value thereof must take place in a controlled manner based on the operating value and service potential of those fixed assets	Amendment of asset lives Authority to amend useful life - Only the chief financial officer may amend the useful operating life assigned to any fixed asset - When any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment. Circumstances to amend useful life - 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	Chief Financial Officer - Amends the useful lives and value of fixed assets in consultation with strategic managers Strategic departmental managers - Annually, judge the useful lives, value and impairment of all the fixed assets under their control and submit to the CFO.



Objectives	Policy statement	Responsibilities
	consumed. Diminution in fixed asset value Circumstances to fully depreciate fixed assets • A fixed asset shall be fully depreciated where: - Where 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 - Where a fixed asset has been lost, stolen or damaged beyond repair - Physically ceased to exist • These additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question. Impairment of fixed assets • A fixed asset is said to be impaired where the recoverable amount or the recoverable service value is less than the carrying amount reflected in the accounting record.	



Objectives	Policy statement	Responsibilities
	Each strategic manager shall annually, judge the useful lives, value and impairment of all the fixed assets under their control and submit to the CFO.	



11 Funding sources and reserves

11.1 Summary sheet

Objectives	Policy statement	Responsibilities
- To ensure that fixed assets are funded in terms of the funding sources available - To ensure that funding sources are completely and accurately disclosed in the fixed asset register and	Main funding sources The main sources of finance to be used to acquire assets will be as follows: - Capital Replacement Reserve (CRR) - External Financing Fund (EFF) - Grants, subsidies and public contributions - Revenue contributions - Cash surplus Capital Replacement Reserve (CRR) - Council must annually approve the basis and amounts for which contributions should be appropriated to the CRR - This appropriation will be done in consideration of the funds available and future capital programme - The CRR funds will be accumulated by: - Annual revenue contribution - Profit on disposal of assets	Council - Approves the contributions to the CRR Chief Financial Officer - Maintains accurate and complete records of these reserves - Takes steps to ensure that these reserves are managed and utilized according to there intended use - Discloses these funds accurately and completely in the annual financial statements



Objectives	Policy statement	Responsibilities
	- When a fixed asset is financed from the CRR an amount is transferred to the CRR to Accumulated Surplus equal to the cost thereof - The balance in the reserve must be cash backed External Financing Fund (EFF) - External loans will be allocated to the EFF - Cash received from external loans will be invested until required to acquire the fixed asset - When the fixed asset is financed from the EFF an advance will be made from the EFF to the relevant service Conditional grants, subsidies, public contributions and donations - Unspent grants are to be accounted for and disclosed in terms of GAMAP/GRAP 17 - These funds will be cash backed and invested until utilised - The interest earned from investments will be treated in terms of the conditions	



Objectives	Policy statement	Responsibilities
	of the grant Revenue contributions • Revenue will be used to finance smaller fixed asset items • These items will typically be under the R 5 000 capitalisation threshold mentioned previously Surplus cash • If there is sufficient surplus cash available, fixed assets may be financed directly from surplus cash • Depreciation charges on these assets will not be offset	



12 Re-valuation of fixed assets

12.1 Summary sheet

Objectives	Policy statement	Responsibilities
Accurate re-valuation of fixed assets where the re-valuation model is used	Re-valuation process - All land and buildings recorded in the municipality's fixed asset register shall be re-valued with the adoption by the municipality of each new valuation roll - 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. - Re-valued fixed assets shall thereafter be depreciated on the basis of its re-valued amount. Re-valuation reserve - The chief financial officer shall create a revaluation reserve for each re-valued 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	Council - Approve the Valuation model for fixed assets Chief Financial Officer - Create the re-valuation reserve - Value assets valued according to the re-valuation model



Objectives	Policy statement	Responsibilities
	Depreciation of re-valued property • The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its re-valued amount over its remaining useful operating life • The increased depreciation expenses must be budgeted	



13 Insurance, loss, damage, theft

13.1 Summary sheet

Objectives	Policy statement	Responsibilities
To ensure that municipal fixed assets are adequately insured and adequate records kept of loss, damage and theft thereof	Insurance of fixed assets - The Chief Financial Officer shall ensure that all the fixed assets are adequately insured. - 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 ensure that insurance cover is sourced in terms of the supply chain management policy of the municipality. - The chief financial officer shall annually submit a report to the council of the municipality for approval on any	Municipal Manager - Recommends the basis of insurance to Council after taking into account the budgetary resources available Council - Approves the insurance basis Chief Financial Officer - Reconcile the insurer's schedule of loss, damages and theft to that of each strategic manager and obtain explanations for differences Strategic departmental managers - Report all loss, damage and theft to the CFO as they occur - Keep records of loss damage and theft and submit it to the CFO annually

Objectives	Policy statement	Responsibilities
	reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve. Loss, damage, theft of fixed assets • Every strategic manager shall promptly report every incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in writing to the chief financial officer and • In cases of suspected theft or malicious damage also to the South African Police Service. • Each strategic manager shall prepared a schedule of loss, damage and theft and submit it to the CFO annually by 30 June. • The CFO will then reconcile this information to the insurer's schedule and collate it into a report for external audit.	



14 Disposal and retirement from use

14.1 Summary Sheet

Objectives	Policy statement	Responsibilities
To ensure that disposal and transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy	Disposal of fixed assets - Each strategic manager shall report in writing to the CFO annually on all fixed assets controlled or used by the department concerned on which fixed assets they wish to dispose of by public auction, public tender or write-off by 30 June each year. - Each strategic manager must take the necessary steps to ensure that all obsolete or damaged assets are disposed of in an appropriate and approved manner. Other write-offs - A fixed asset shall be written-off only on the recommendation of the strategic manager of the department controlling the asset and with the final approval of Council. - Every strategic manager shall report annually to the CFO which fixed assets they wish to have written-off, stating the full reason for such recommendation by	Council - Approves the disposal and write-off of all fixed assets Chief Financial Officer - Collects and consolidates requests for disposals and write-offs of fixed assets from various strategic managers - Submits a recommendation for disposals and write-offs to Council for approval Strategic departmental managers - Submit a list of recommended disposals and write-offs to the CFO annually by 30 June each year with explanations - Take steps to ensure that obsolete and damaged assets are disposed of in an appropriate and approved manner.



Objectives	Policy statement	Responsibilities
	30 June of each year. • The CFO will then consolidate all such reports and submit a recommendation to Council for approval. • Valid reasons for the writing-off of fixed assets shall be the disposal, loss, theft, destruction, incorrect capitalizations or material impairment of these fixed assets.	



15 Accounting and financial statement disclosure

Fixed assets should be disclosed and accounted for in terms of GAMAP/GRAP 17 as applicable

15.1 Summary Sheet

Objectives	Policy statement	Responsibilities
To ensure that financial statement disclosures for fixed assets to be done in terms of GAMAP/GRAP 17 as applicable	The Chief Financial Officer must ensure that relevant and current GAMAP/GRAP 17 accounting standards are applied for the disclosure of fixed assets on the financial statements	Chief Financial Officer Take the necessary steps to ensure that fixed assets are disclosed in terms of GAMAP/GRAP 17 for the annual financial statements