



“People’s power in action”

FIXED ASSET MANAGEMENT POLICY

Date of approval by Council: 31 May 2017
Council Resolution number: 98

TABLE OF CONTENTS

PART 1 DEFINITION OF A FIXED ASSET	4
PART 2 ROLE OF MUNICIPAL MANAGER	4
PART 3 ROLE OF CHIEF FINANCIAL OFFICER	4
PART 4 FORMAT OF FIXED ASSET REGISTER	5
PART 5 CLASSIFICATIONS OF FIXED ASSETS	6
PART 6 INVESTMENT PROPERTY.....	7
PART 7 FIXED ASSETS TREATED AS INVENTORY.....	7
PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER.....	8
PART 9 RECOGNITION OF DONATED ASSETS	9
PART 10 SAFE KEEPING OF ASSETS	9
PART 11 IDENTIFICATION OF FIXED ASSETS.....	9
PART 12 PROCEDURES IN CASE OF LOSS, THEFT, DESTRUCTION OR IMPAIRMENT OF FIXED ASSETS	10
PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE.....	10
PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS.....	10
PART 15 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES	10
PART 16 MAINTENANCE PLANS	11
PART 17 DEFERRED MAINTENANCE.....	11
PART 18 GENERAL MAINTENANCE OF FIXED ASSETS.....	12
PART 19 DEPRECIATION OF FIXED ASSETS.....	12
PART 20 RATE OF DEPRECIATION.....	13
PART 21 METHOD OF DEPRECIATION.....	13
PART 22 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS	13
PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES	14
PART 24 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION ...	15
PART 25 CARRYING VALUES OF FIXED ASSETS.....	15
PART 26 REVALUATION OF FIXED ASSETS	16
PART 27 VERIFICATION OF FIXED ASSETS.....	17
PART 28 ALIENATION OF FIXED ASSETS	17
PART 29 OTHER WRITE-OFFS OF FIXED ASSETS	19
PART 30 REPLACEMENT NORMS	19
PART 31 INSURANCE OF FIXED ASSETS.....	19
PART 32 BIOLOGICAL ASSETS	20

PART 33 ANNEXURE: FIXED ASSET LIVES..... 21
PART 34 ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE
MANAGEMENT ACT 2003 23

PART 1 DEFINITION OF A FIXED ASSET

- 1.1 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).
- 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 benefit, or reasonably expects to use in service delivery, over a period extending beyond one financial year.
- 1.3 To be recognized as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.
- 1.4 An asset held under a finance lease, shall be recognized 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

- 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.

PART 3 ROLE OF CHIEF FINANCIAL OFFICER

- 3.1 The chief financial officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerized fixed assets register is maintained.
- 3.2 No amendments, deletion 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

- 4.1 The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with requirements of generally recognized 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 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 (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 disposal price
 - Useful life
 - Remaining useful life
 - Estimated residual value
 - Condition of the asset

- 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.

PART 5 CLASSIFICATIONS OF FIXED ASSETS

- 5.1 In compliance with the requirements of GRAP 17, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of department shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

5.2 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 wellbeing of the community)
- Heritage assets (culturally significant resources)
- Other assets (ordinary operational resources)

5.3 INVENTORY

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

5.4 INVESTMENT PROPERTY

- Investment property (resources held for capital or operational gain)

- 5.5 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 shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 6 INVESTMENT PROPERTY

- 6.1 Investment property 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.
- 6.2 Investment property 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 property 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 property shall not be depreciated; it shall be annually valued on balance sheet date to determine their fair (market) value. Investment property shall be recorded in the statement of financial position 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 statement of financial performance.
- 6.5 A recognized 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 property.

PART 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.

PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

- 8.1 Heritage assets are defined in GRAP 103 as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
- 8.2 A heritage asset shall be recognised as an asset if, and only if:
- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
 - (b) the cost or fair value of the asset can be measured reliably.
- 8.3 A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.
- 8.4 After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.
- 8.5 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 at R1.

- 8.6 For purposes of compiling the municipality's statement of position, the existence of such heritage assets shall be disclosed by means of an appropriate note.

PART 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.

PART 10 SAFE KEEPING OF ASSETS

- 10.1 Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.
- 10.2 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.
- 10.3 **The use of Mayoral/Speaker vehicles is strictly for work related activities and functions. Only designated officials may drive the Mayor/Speaker vehicle unless otherwise, as per the Mayor/Speaker instruction. The Mayoral/Speaker vehicle may be used to transport other individuals only as per instruction of the Mayor/Speaker.**

PART 11 IDENTIFICATION OF FIXED ASSETS

- 11.1 The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with a computerized fixed asset register.
- 11.2 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.

11.3 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.

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

12.1 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 (SAPS).

PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE

13.1 All items with an estimated useful life of one year or more shall be recognised as fixed assets.

PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

14.1 An intangible asset is an identifiable non-monetary asset without physical substance.

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

PART 15 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

15.1 Only expenses 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.

15.2 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.

- 15.3 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, installation, assembly and commissioning costs.

PART 16 MAINTENANCE PLANS

- 16.1 Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset is promptly prepared and submitted to the council of the municipality for approval.
- 16.2 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.
- 16.3 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

- 17.1 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 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 deferral of the maintenance requirements concerned.
- 17.2 If no such plans have been formulated or are likely to be implemented, the chief financial officer shall re-determine the useful operating life of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

18.1 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

19.1 All fixed assets, except land and heritage assets, shall be depreciated.

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

19.3 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.

19.4 Depreciation shall initially be calculated from the date 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.

19.5 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.

19.6 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.

19.7 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.

PART 20 RATE OF DEPRECIATION

- 20.1 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 policy (see part 33 below)
- 20.2 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.

PART 21 METHOD OF DEPRECIATION

- 21.1 Except in those cases specifically identified in part 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.
- 21.2 To ensure consistency the chief financial officer may further apply the newly determined estimated useful life to the straight-line method as agreed with Auditor-General in previous years, in cases where an assessment in the useful lives of assets was conducted.

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

- 22.1 Only the chief financial officer may amend the useful operating life assigned to any fixed asset.
- 22.2 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.

- 22.3 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.
- 22.4 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.
- 22.5 In all the forgoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.
- 22.6 If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalized at a value other than a purely nominal value, such fixed asset shall be partially or fully impaired, and the department or vote controlling or using the fixed asset in question shall bear the full impaired expenditure concerned.
- 22.7 In cases of assets having a carrying value of R0 or is in the negative at financial year end, the municipality must recalculate the remaining useful life. GRAP therefore provides a basis for the municipality to determine the remaining useful life, which may be different from the initial estimated useful life, based on the condition and experience of the asset: GRAP 17 states:

.63

The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits or service potential embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets.

PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

- 23.1 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.

- 23.2 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.
- 23.3 The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.
- 23.4 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.

PART 24 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

- 24.2 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.

PART 25 CARRYING VALUES OF FIXED ASSETS

- 25.1 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 and impairment losses.
- 25.2 The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets (see part 8 above)

PART 26 REVALUATION OF FIXED ASSETS

- 26.1 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).
- 26.2 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.
- 26.3 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.
- 26.4 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.
- 26.5 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 part 24 above).
- 26.6 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.

- 26.7 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).

PART 27 VERIFICATION OF FIXED ASSETS

- 27.1 Assets management section shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned. The procedures to be undertaken will be clearly spelt out in the asset count plan, which will be updated prior to each asset verification process.
- 27.2 Assets management section 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.
- 27.3 The municipality shall undertake regular assessment of the conditions and performance of all the tangible capital assets in order to determine the ability of these assets to continue to perform and provide services into the future. Where appropriate, information collected on the condition shall be recorded in the asset register and updated in the strategic plans.
- 27.4 The municipality shall undertake verification of infrastructure assets after every three years.

PART 28 DISPOSAL OF FIXED ASSETS

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

- 28.2 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 dispose 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
- 28.3 The council shall delegate to the municipal manager the authority to approve the disposal of any movable fixed asset with a carrying value less than **R10 000 (ten thousand rand)**.
- 28.4 The council shall ensure that the disposal of any movable fixed asset with a carrying value equal to or in excess of **R10 000 (ten thousand rand)** and of any immovable fixed asset takes place in compliance with Section 14 of the Municipal Finance Management Act No.56 of 2003 (see part 34 below).
- 28.5 Once the fixed assets are disposed, the chief financial officer shall delete the relevant records from the fixed asset register.
- 28.6 If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognized as a loss in the statement of performance 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 recognized as a gain in the statement of performance of the department or vote concerned
- 28.8 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.
- 28.9 Upon termination of a councillor's term in office, ownership of the cellphone/tablet being used by the councillor shall be transferred from the municipality to the councillor and subsequently written off the assets register.

28.10 Upon termination of a contract for leased assets, the assets should subsequently be written off the assets register.

PART 29 OTHER WRITE-OFFS OF FIXED ASSETS

29.1 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.

29.2 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.

29.3 The only reason for writing off fixed assets, other than the disposal of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

29.4 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 30 REPLACEMENT NORMS

30.1 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 cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items, and shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 31 INSURANCE OF FIXED ASSETS

- 31.1 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.
- 31.2 Every head of department shall report to the Manager Assets of each financial year on any fixed assets which such head of department wishes to have insured, stating in full the reason for such recommendation. The Manager Assets shall consolidate all such reports, and shall promptly submit a recommendation to the appointed insurance company.

PART 32 BIOLOGICAL ASSETS

- 31.1 Accounting for biological assets shall take place in accordance with the requirements of GRAP 101.
- 32.2 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, and 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.
- 32.3 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.
- 32.4 Records of the details of biological assets register or 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.
- 32.5 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 33ANNEXURE: FIXED ASSET LIVES

33.1 USEFUL LIVES OF ITEMS OF PROPERTY PLANT AND EQUIPMENT AT INITIAL RECOGNITION ONLY

Item	Average Useful life
Land	Indefinite
Buildings	7 – 80 years
Plant and Machinery	2 – 15 years
Furniture and Fixtures	2 – 10 years
Motor vehicles	2 – 20 years
Office equipment	3 – 7 years
IT equipment	3 – 7 years
Infrastructure <ul style="list-style-type: none">• Park infrastructure Assets	7 – 80 years
Community <ul style="list-style-type: none">• Land• Buildings	Indefinite 7 – 80 years
Electricity	7 – 80 years
Quarries	15 – 20 years
Landfill sites	15 – 80 years
Solid waste	15 – 80 years
Waste water	7 – 80 years
Water	8 – 100 years
Stormwater	40 – 60 years
Heritage	Indefinite
Roads, bridges and roadside structure	8 – 80 years
Railway	60 – 100 years

33.3 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)

33.4 INVESTMENT ASSETS

It is not possible to provide an exhaustive list of investment asset, as the actual list will depend very much on the current circumstances of the municipality. No asset lives are provided as these properties are not depreciated but annually revalued at market value. 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)

Shopping centres (again developed along similar lines)

PART 34 ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

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

A municipality may dispose 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.
-