



## FIXED ASSET MANAGEMENT POLICY

**2026/2027**

### Signatories

The signatories hereof, confirm acceptance of the contents, recommendation, and adoption hereof.

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## 1. DEFINITIONS AND ACRONYMS

### 1.1 Statutory and Regulatory

This Procedure applies to the following meanings and interpretations:

#	TERM	DESCRIPTION
1.1.1	Accounting Officer	means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).
1.1.2	Property, plant and equipment	are tangible assets that: Are held by a. municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purposes, and are expected to be used during more than one period.
1.1.3	Lease	A lease is an agreement whereby the lesser conveys to the lessee in return for payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incident of ownership of an asset. An asset held under a finance lease shall be recognized as a fixed asset, as the municipality has control over such an asset and risk and rewards associated with the ownership of the assets have been transferred to the municipality even though it will not own the asset.
1.1.4	Fair value	Fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
1.1.5	Residual value	Residual value is the net amount that the enterprises expect to obtain for an asset at the end of its useful life after deducting the expected cost of disposal.
1.1.5	Impairment Loss	An impairment loss is the amount by which the carrying value of an asset exceeds the recoverable amount.
1.1.6	Carrying value	Carrying value is the amount at which the asset is recognized in the balance sheet after deducting any accumulated depreciation and accumulated impairment losses thereon.
1.1.7	Recoverable amount	the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. is the higher of a cash-generating asset's or unit's net selling price less cost to sell and its value in use.

1.1.8	Recognition /Capitalization	<p>The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:</p> <ul style="list-style-type: none"> <li>• it is probable that future economic benefits or service potential associated with the item will flow to the entity, and</li> <li>• The cost or fair value of the item can be measured reliably.</li> </ul>
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#	TERM	DESCRIPTION
1.1.9	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.
1.1.10	Cost of acquisition	all the costs incurred in bring an item of plant, property or equipment to the required condition and location for its intended use.
1.1.11	Component	This is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts
1.1.12	Depreciation	<p>Depreciation is the decline during the accounting period, in the value of fixed assets as result of physical deterioration, normal obsolescence or normal accidental damage.</p> <p>During the useful life of the asset the asset will be depreciated from it's actual cost price to its residual value. This value is usually nil.</p>
1.1.13	Depreciable amount	The depreciable amount of an asset is determined after deducting the residual value of the fixed asset.
1.1.14	Accumulated depreciation	Accumulated depreciation refers to the total depreciation allocations to a certain point with respect to assets still in use.
1.1.15	Depreciation Method	Although various depreciation methods can be used, the municipality uses the straight-line method to ensure a constant charge over the useful life of an asset.
1.1.16	Useful life	<p>The useful life of an asset is defined in terms of the asset's expected utility to the municipality and this is not necessary as long as the economic life. The estimation of the useful life of an asset is a matter of judgment based on experience with similar assets and organizations. The following factors should be considered when assessing an asset's useful life:</p> <ol style="list-style-type: none"> <li>1. Expected use expected physical wear and tear</li> <li>2. Technical obsolescence</li> <li>3. Legal or other limits on the use</li> </ol>

1.1.17	Construction Contracts	A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or inter dependent in terms of their design, technology and function or their ultimate purpose or use.
1.1.18	Intangible assets	An intangible asset is an identifiable non — monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
1.1.19	Asset Manager	is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the municipality's assets in accordance with the council's standards, policies, procedures and guidelines.
<b>#</b>	<b>TERM</b>	<b>DESCRIPTION</b>
1.1.20	Infrastructure assets	means assets that usually display some or all of the following characteristics: 1. they are part of a system or network; 2. they are specialized in nature and do not have alternative uses; 3. they are immovable, and they may be subject to constraints on disposal 4. Examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks
1.1.21	Community assets	are defined as any asset that contributes to the community's well- Examples are parks, libraries and fire stations.
1.1.22	Community Facilities	Discrete assets that provide a service directly to the community (such as parks, sports facilities, cemeteries, landfill sites etc.
1.1.23	Heritage assets	are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
1.1.24	Investment Properties	are defined as properties that are acquired for economic and capital gains. Examples are leased office buildings and underdeveloped land acquired for the purpose of capital appreciation.

## 1.2 ACRONYMS

#	TERM	DESCRIPTION
1.2.1	AM	Assets Management
1.2.2	CFO	Chief Financial Officer
1.2.3	DPLG	Department of Provincial and Local Government
1.2.4	EPWP	Expanded Public Work Program
1.2.5	GAMAP	Generally Accepted Municipal Accounting Practice

1.2.6	GIS	Geographical Information System
1.2.7	GRAP	Standards of Generally Recognised Accounting Practice Human Resource
1.2.8	IAM	Infrastructure Asset Management
1.2.9	IAMP	Infrastructure Asset Management Plan
1.2.10	IAMS	Infrastructure Asset Management Strategy
1.2.11	IAR	Infrastructure Asset Register
1.2.12	IAS	International Accounting Standards Integrated Development Plan Information Technology
1.2.13	KPI	Key Performance Indicators
1.2.14	MFMA	Municipal Finance Management Act
1.2.15	MSA	Municipal Systems Act
1.2.16	OHSA	Occupational Health and Safety Act
1.2.17	SDBIP	Service Delivery and Budget Implementation Plan
1.2.18	SCM	Supply Chain Management
1.2.19	TOR	Terms of Reference
1.2.20	VAT	Value Added Tax
1.2.21	Municipality	Thulamela Local Municipality

## **2. POLICY STATEMENT**

2.1 This document is provided to assist management and employees of the Municipality to implement and maintain consistent, effective and efficient fixed asset management principles.

## **3. PREAMBLE**

3.1 Fixed Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets. The municipality should use assets to ensure efficient and effective delivery of services to the community within its area. This policy is meant to govern the management of assets owned by the Municipality both operationally and financially to ensure that they are managed, controlled, safeguarded and used in an efficient and effective manner.

## **4. PURPOSE**

4.1 To provide for a structured process of decision-making, planning and control over the acquisition, use, maintenance, safeguarding and disposal of assets to maximise their

service delivery potential and benefits, and to minimise their related risks and costs over their entire life.

4.2 Further to the above, to provide a framework for the municipality through an integrated and holistic approach to asset management.

## **5. OBJECTIVES**

5.1 This policy is aimed at assisting management and employees of the municipality to implement and maintain consistent, effective and efficient asset management principles.

The objective of this policy is:

5.2 To ensure the effective and efficient control, utilization and management of a municipality's assets;

5.3 To safeguard the fixed assets of the municipality and to ensure the effective use of existing resources;

5.4 To emphasise a culture of accountability towards the municipality's fixed assets

5.5 To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation.

5.6 To provide a formal set of financial procedures that can be implemented to ensure that the municipality's financial asset policies are in compliance with the MFMA.

5.7 To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality in respect of operation and maintenance.

5.8 To set out the standards of management, recording and internal controls over assets to ensure that they are safeguarded against inappropriate loss or utilization

5.9 To emphasize a culture of accountability over assets.

5.10 To ensure compliance with all legal and accounting prescriptions and requirements 5.11 To ensure that fixed assets are not written off and disposed of without proper authorization.

5.12 To ensure that preventative measures are in place to eliminate theft, loss and misuse.

5.13 To ensure accuracy of the depreciation charges.

## **6. SCOPE**

6.1 The scope of this policy covers intangible assets and tangible assets.

## **7. ACCOUNTING STANDARDS**

7.1 Presently the MFMA obliges municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The Accounting Standards Board (ASB) has approved a number of Standards of Generally Recognised Accounting Practice (GRAP) which replaced the Generally Accepted Municipal Accounting Practice (GAMAP).

7.2 GRAP 17 on Property, Plant and Equipment is the critical accounting standard that provides guidance on the recognition, measurement, presentation, and disclosure of items of PPE in the financial statements of municipalities and municipal entities. Other related standards are GRAP 12 on Inventories, 16 on Investment Property, 13 on Lease Assets, 103 on Heritage Assets, 26 on impairment of Cash Generating Assets and 21 on Impairment of Non-cash Generating Assets respectively.

7.3 Key changes include the recognition of depreciation of assets as an expense, and grants as revenue. A Government Grants Reserve, Donations and Public Contribution Reserve and Capitalisation Reserve need to be established, based on the source of funding of assets. Immovable assets need to be unbundled and each significant component is individually recognised and accounted for. In cases where there is an active and liquid market for assets (such as offices and vehicles) valuation is on a market related basis, whereas specialised buildings (such as community facilities) and infrastructure (such as a water supply network) are valued using a depreciated replacement cost. Significant changes in the value of property, plant and equipment over time need to be reflected through periodic revaluation. The Municipality has fully adopted GRAP as its Accounting Framework.

## **8. FORMAT OF FIXED ASSET REGISTER**

8.1 The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of GRAP and any other accounting requirements which may be prescribed.

8.2 The fixed asset register shall reflect the following information:

8.2.1. A brief but meaningful description of each asset

8.2.2. The date on which the asset was acquired or brought into use

8.2.3. The location of the asset, as far as practical

8.2.4. Where applicable, the identification number, as determined in compliance with the paragraph on identification of fixed assets below

8.2.5. The original cost, or the revalued amount determined, or the fair value if no costs are available

8.2.6. The revalued value of such fixed assets

8.2.7. Accumulated depreciation to date

8.2.8. The depreciation charge for the current financial year

8.2.9. The carrying value of the asset

8.2.10. Rate of depreciation

8.2.11. Impairment losses incurred during the financial year (and the reversal of such losses, where applicable)

8.2.12. The source of financing

8.2.13. The date on which the asset is disposed of the disposal price

8.2.14. The date on which the asset is retired from use, if not disposed of.

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

8.4 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. Assessment of useful lives should then be applied for assets through a category in which they.

## **9. CLASSIFICATION OF ASSETS**

When accounting for assets, the municipality should follow the various standards of GRAP relating to the assets. An item is recognised in the statement of financial position as an asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Assets are classified into the following categories for financial reporting purposes:

### **9.1 PROPERTY, PLANT AND EQUIPMENT (GRAP 17)**

9.1.1 Land and building (land and building not held as investment assets)

9.1.2 Infrastructure assets (immoveable assets that are used to provide basic services) unbundling of assets should be done in all infrastructure assets

9.1.3 Community assets (resources contributing to the general well-being of the community)

9.1.4 other assets (ordinary operational resources)

## **10. INVESTMENT PROPERTY (GRAP 16)**

- 10.1 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 municipality's statement of financial position.
- 10.2 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.
- 10.3 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.
- 10.4 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 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 accounting records of the department or service controlling the assets concerned.
- 10.5 An expert valuer shall be engaged by the municipality to undertake such valuations.
- 10.6 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.

## **11. FIXED ASSETS TREATED AS INVENTORY (GRAP 12)**

- 11.1 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.
- 11.2 These assets will be recognized as per GRAP 12 standard
- 11.3 A separate register shall be maintained for such inventories.

## **12. RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER (GRAP 103)**

12.1 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.

12.2 For purposes of compiling the statement of position, the existence of such heritage assets shall be disclosed by means of an appropriate note.

## **13. RECOGNITION OF DONATED ASSETS**

13.1 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.

## **14. SAFEKEEPING OF ASSETS**

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

14.2 In exercising this responsibility, every head of the department shall adhere to any written directives issued by 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.

## **15. IDENTIFICATION OF FIXED ASSETS**

15.1 The chief financial officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

15.2 The identification system shall be determined by the chief financial officer, acting in consultation with the municipal manager and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the AuditorGeneral 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.

15.3 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.

## **16. PROCEDURE IN CASE OF LOSS THEFT DESTRUCTION OR IMPAIRMENT OF FIXED ASSETS**

16.1 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.

16.2 The accounting officer will investigate any loss or misplacement of assets as a result of negligence of any official to whom the asset has been allocated per inventory list or being used by him/her, and if the official is found guilty, he or she will be required to replace the assets in question out of his or her own pocket. All movement of assets should be communicated formally to Assets Management section for control purpose.

## **17. IMPAIRMENT OF CASH-GENERATING ASSETS (GRAP 26) AND NON-CASH-GENERATING ASSETS (GRAP 21)**

17.1 The chief financial officer shall ensure that the municipality performs an assessment of assets for impairment at each financial year's end.

17.2 Some assets held by entities are non-cash-generating assets and accounting for their impairment should be undertaken in accordance with GRAP 21. In those circumstances when an asset held by an entity is held with the primary objective of generating a commercial return, the provisions of GRAP 26 on Impairment of Noncash-generating Assets should be applied.

17.3 Note that the generation of cash flows by an asset may be incidental (insignificant in relation to the total use of the asset). in these circumstances, the asset would still be accounted for under GRAP 21 and not GRAP 26.

17.4 To assess whether there is any indication that an asset may be impaired, the following indications are considered as a minimum:

External Sources of Information

- 17.4.1 The demand or the need for services provided by the asset has ceased or is about to cease. For example, the need for a service (provided by an asset) has ceased because the parties to whom the service was provided -for has obtained its own asset to perform the service. Another example may be where the demand for the service has decreased due to adverse economic conditions;
- 17.4.2 Significant long-term changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal or government policy environment in which the entity operates. For example, sanctions have been imposed on the importing of a significant component of the asset, or a vehicle that does not meet new emission standards;
- 17.4.3 The demand or the need for services (not necessarily a near cessation or cessation as indicated in first bullet point above) provided by the asset has taken a significant long-term decline. For example, a number of countries have made use of services provided by certain assets of an entity, but during the current period, other entities also provided similar services to certain of those countries. As a result, the entity will be experiencing a significant long-term decline in the demand for the services provided by its assets; and
- 17.4.4 Market value of the asset has declined significantly during the period (more than what is expected from passage of time or use).

Internal sources of information:

- 17.4.5 Physical damage of the asset (for example, flood damage to a bridge)
- 17.4.6 Significant long-term changes in the manner or extent to which an asset is used, or expected to be used during the period or in the near future, that will have an adverse effect on the entity. These changes may include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- 17.4.7 Entity has decided to halt the construction of the asset before it is complete or in an usable condition; and

17.4.8 Internal reporting indicated that the economic performance of an asset is, or will be, significantly worse than expected. This evidence relates to the ability of the asset to provide services (i.e. internal source), rather than a decline in the demand or need for services provided by the asset (i.e. external source). Examples can include a significant increase in the cost of maintaining or operating the asset and significantly lower service or output levels than those originally budgeted and expected respectively.

17.5 This list is not exhaustive and other indications of impairment should be considered.

17.6 If, and only if, the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. That reduction is an impairment loss.

17.7 An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP (for example, in accordance with the revaluation model in GRAP 17).

17.8 After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **18. REVERSAL OF IMPAIRMENT**

18.1 An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

18.2 In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased, an entity shall consider, as a minimum, the following indications:

External sources of information

18.2.1 Resurgence of the demand or need for services provided by the asset.

18.2.2 Significant long-term changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the

technological, legal or government policy environment in which the entity operates.

#### Internal sources of information

- 18.2.3 Evidence is available that indicates that the service potential of the asset has been restored following physical damage to the asset.
- 18.2.4 Significant long-term changes with a favourable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance an asset's performance, restructure the operation to which the asset belongs or a decision to use rather than dispose of an asset.
- 18.2.5 A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition.
- 18.2.6 Evidence is available from internal reporting that indicates that the service performance of the asset is, or will be, significantly better than expected. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.
- 18.2.7 A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit unless the asset is carried at revalued amount in accordance with another Standard of GRAP (for example, the revaluation model in GRAP 17).
- 18.2.8 After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## 19. CAPITALISATION CRITERIA: MATERIAL VALUE

19.1 Assets will be capitalized on the basis of the fact that it should meet the definition of assets as outlined on GRAP 17 regardless of the value of assets Useful life or lifespan of more than one year should also be incorporated.

19.2 All capital assets shall be correctly recognised as assets and capitalised at the correct value in its significant components. All assets will be capitalised, except those listed as examples in paragraph 38, but the application thereof will be determined annually by the municipality.

19.3 However, the municipality (Municipal Manager or to whom the right is delegated) can determine with an internal memorandum which assets, as mentioned in paragraph 38, cannot be classified as capital assets.

19.4 A lease register shall be maintained with all the information that is necessary for reporting purposes.

19.5 The capitalisation threshold is a policy decision of the municipality and is the value above which assets are capitalised and reported in the financial statements as tangible or intangible capital assets as opposed to being expensed in the year of acquisition. As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management.

19.6 The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that .an asset recorded as such would not be a complete asset. The municipality has taken the following into account when considering a capitalisation threshold:

19.6.1 The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;

19.6.2 The cost of maintaining financial and management information on assets when the threshold is very low or not specified;

19.6.3 The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied;

19.6.4 The size of the municipality or the size of its service areas when setting a capitalisation threshold level. Municipalities vary greatly in size, so what is relevant to one may be immaterial to another.

19.7 Based on the abovementioned considerations the capitalisation threshold applicable to the municipality is as follows:

19.7.1. Any asset with a cost of R1000 and above individually should be capitalised in the financial and asset records of the municipality.

19.7.2. Any asset with a cost of R999.99 and less individually should be to be expensed in the year of acquisition.

19.8 All assets with a cost of R999.99 and less individually should be aggregated based on their respective grouping and if the cost is found to be above R1 million for those group of assets, then those group of assets will capitalised in the financial and asset records although individually they're below R1 000.

## **20. CAPITALISATION CRITERIA: INTANGIBLE ITEMS**

20.1 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.

## **21. CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

21.1 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 capitalised.

21.2 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 capitalised, irrespective of the quantum of the expenses concerned.

21.3 Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need

not be limited to import duties, forward cover costs, transportation costs, installation, assembly and commissioning costs.

## **22. MAINTENANCE PLANS**

22.1 The municipality shall ensure that a maintenance plan is promptly prepared and submitted to the council of the municipality for approval.

22.2 The head of department controlling or using the infrastructure asset in question, shall annually prepare budget for maintenance of the assets

## **23. GENERAL MAINTENANCE OF FIXED ASSETS**

23.1 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.

## **24. DEPRECIATION OF FIXED ASSETS**

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

24.2 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.

24.3 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.

24.4 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.

24.5 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.

24.6 The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

## **25. RATE OF DEPRECIATION**

25.1 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 paragraph 38 below (see paragraph on insurance of fixed assets below).

25.2 In the case of a fixed asset which is not listed in paragraph 38 , 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.

## **26. METHOD OF DEPRECIATION**

26.1 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.

## **27. AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS**

27.1 The CFO can amend useful operating life in terms of GRAP requirements i.e. Assessment of useful life for all categories of assets with assets that are fully depreciated but can still yield future economic benefit or they still have service delivery potential.

27.2 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.

27.3 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.

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

27.5 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.

## **28. CARRYING VALUES OF FIXED ASSETS**

28.1 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.

28.2 The only exceptions to this rule shall be revalued heritage assets in respect of which no value is recorded in the fixed asset register.

## **29. LAND AND BUILDINGS**

29.1 All land and buildings recorded in the municipality's fixed asset register shall be recorded at cost.

29.2 The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of the straight-line method of depreciation over the assigned useful operating life of the asset in question.

29.3 Land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at cost amount, less accumulated depreciation (in the case of buildings).

## **30. VERIFICATION OF FIXED ASSETS**

30.1 The Chief Financial Officer shall at least annually appoint the assets verification team which will be supervised by the Assets Manager, to undertake a comprehensive verification of all fixed assets controlled or used by the municipality, in compliance with the written directive issued by the CFO.

30.2 The directives issued by the chief financial officer shall stipulate the date(s) when such verification shall be undertaken and completed and such date(s) shall be as close as possible to the end of each financial year.

30.3 The Assets Manager 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, and the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

### **31. ALIENATION OF FIXED ASSETS**

- 31.1 In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.
- 31.2 Every head of department shall report in writing to the chief financial officer each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the municipal manager, indicating the process of alienation to be adopted in accordance with paragraph on alienation of fixed assets in the policy.
- 31.3 The chief financial officer shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R50 000 (fifty thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see disposal management below).
- 31.4 Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.
- 31.5 If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the statement of performance of the department or vote concerned.
- 31.6 All losses on the alienation 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 alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

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

31.8 The chief financial officer shall in July of every year report to the council of the municipality details of all fixed assets disposed of during the immediately preceding financial year.

## **32. OTHER WRITE-OFFS OF FIXED ASSETS**

32.1 A fixed asset other than when disposed of in accordance with above, and even though fully depreciated, shall be written off by the chief financial officer only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the municipal manager.

32.2 Every head of department shall report to the chief financial officer 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. It is the responsibility of every head of department to verify and sign off the list of assets wishes to have written off (Disposal form). 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.

32.3 The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.

32.4 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 maintenance plans).

## **33. INSURANCE OF FIXED ASSETS**

33.1 The Corporate Services 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.

## 34. DISPOSAL MANAGEMENT

34.1 The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

*“(1) Assets may be disposed of by — transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;*

*transferring the asset to another organ of state at market-related value or, when appropriate, free of charge; selling the asset; or destroying the asset.*

*(2) The accounting officer must ensure that —*

*(a) immovable property is sold only at market-related prices except when the public interest or the plight of the poor demands otherwise;*

*(b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market-related prices, whichever is the most advantageous;*

*(c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the*

*National Conventional Arms Control Committee;*

*(d) immovable property is let at market-related rates except when the public interest or the plight of the poor demands otherwise; all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; where assets are traded in for other assets, the highest possible trade-in price is negotiated; and*

*(g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.”*

## 35. ASSETS LESS THAN 1000

35.1 From 1 July 2017, No item with an initial cost or fair value of less than R1 000 (One 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 capitalisation benchmark, it shall be treated as an ordinary operating expense.

35.2 Every head of department shall, however, ensure that any item with a value in excess of R1 000 (one thousand 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.

35.3 N.B All assets purchased prior to 01 July 2009 with value less than R1 000 (one thousand rand) should be left in the asset register until such time that they are written off, disposed or donated.

The following Office equipment are not covered by the Thresholds:

35.3.1 Computer equipment

35.3.2 CPU -Monitor

35.3.3 Laptops

35.3.4 Printer (Excluding Token Printers)

35.3.5 Office Furniture

35.3.6 Office chairs

35.3.7 Office Tables.

## **36 EXAMPLES OF ASSET TYPES NOT CAPITALISED**

36.1 Kitchenware, e.g. Kettles, toasters, two-plate stoves, etc.

36.2 Stationery equipment, e.g. Punches, staplers etc

36.3 Garden equipment, e.g. Brooms, rakes, spades, etc.

36.4 Machines (not heavy duty), e.g. Spanners, screwdrivers, etc.

36.5 Electrical equipment, e.g. Extension lead, multi-plug, etc.

36.6 Mattresses

36.7 Cutlery & crockery

36.8 Plastic chairs and Camping chairs

36.9 Drills and related small items

36.10 Other, as may be determined by management

**37 PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003**

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

37.2 A municipality may alienate any other capital asset but provided:

37.2.1 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

37.2.2 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.

37.3 Impairment of assets will be done to all assets which will attract impairment after impairment testing and such assets will either be impaired or written-off from the Asset Register.

**38 FIXED ASSETS LIVES**

MAIN CLASS	CATEGORY	ESTIMATED USEFUL LIFE IN YEARS
<b>COMMUNITY ASSETS</b>		
	CONCRETE SLAB/ STEPS	50
	RETAINING BLOCK	30
	SLOPE PROTECTION	50
	WATER PUMPS	15 - 50
	DISTRIBUTION BOARD	30
	EXTERNAL LIGHTING	30
	GENERATOR	10 - 20
	WATER TANKS	15
	PARKING BAYS (SHELTER/CARPOTS)	15
	LIGHTNING CONDUCTOR	20

	PARK EQUIPMENT	20
	BUILDINGS	25-60
	PERIMETER PROTECTION	20-25
	SPORT FACILITIES	10-60
	SIDE INLET/ GRID INLET/ STORMWATER CHANNEL	50
	EXTERNAL LIGHTING	30-40
	BOREHOLE (INSTALLED)	15
	PEDESTRIAN BRIDGE	50
	OTHER	10-50
<b>ELECTRICAL INFRASTRUCTURE</b>		
	HIGH MAST LIGHT	30
	STREETLIGHTS	30-40
<b>ROADS AND STORM-WATER INFRASTRUCTURE</b>		
	BUS STOP CONCRETE/ TRAFFIC LIGHTS	15
	FOOTPATHS OR PAVEMENTS	20-30
	GUARD RAILS/ HANDRAIL	15-30
	KERBING	30-50
	VEHICLE BRIDGE	80
	ROAD SURFACE	10-50

	ROADS BASE STRUCTURE	30-50
	EMBARKMENT PROTECTION/ STORMWATER CHANNELS	50
	CATCH PIT/ CULVERTS	50-80
	STORMWATER CHANNELS	50
	ROAD SIGNS	10
	MANHOLES	50
	OTHER	10-80

#### **SOLIDWASTE INFRASTRUCTURE**

	OTHER	10-30
	LANDFILL SITE CELL	50
	LANDFILL ASSET	PER LICENCES/ AVAILABLE SPACE

#### **FURNITURE AND OFFICE EQUIPMENT**

	CABINET/ CREDENZA/ CUPBOARD	5-17
	BULK FILING SHELVES/ BOOKCASE	10-16
	SAFE	4-18
	CHAIRS/ COUCHES/ BENCHES	5 - 17
	TABLES AND DESKS/ PEDESTAL	5 - 17
	AIR CONDITIONER	4-23

	SECURITY EQUIPMENT (CCTV CAMERA/ BIOMETRICS)	10
	MEDIA EQUIPMENT	4 - 17
	DOMESTIC EQUIPMENT	4 - 17
	OTHER	4-20

**TRANSPORT ASSETS**

	EMERGENCY VEHICLES	10-15
	PASSENGER VEHICLES	17
	SPECIALISED VEHICLES	10-19
	TRACTORS	18

	TRAILERS	15-18
	TRUCKS	10-19

**COMPUTER EQUIPMENT**

	PROJECTOR	4
	MONITOR	4 - 17
	UPS	10-15
	PRINTER	4 - 17
	NETWORK SWITCH/ SERVER	10-15
	CPU/ PC UNIT	17
	LAPTOP/ TABLET	4-11
	WI-FI ACCESS POINT	10

	OTHER	17
<b>PLANT AND EQUIPMENT</b>		
	COMPRESSOR	8
	ROLLER/ RAMMER (JUMPING-JACK)/ WATER PUMPS	15
	HEAVY DUTY SKIP BIN	5-20
	GENERATOR/ TAR CUTTER/ PRESSURE WASHER	4-15
	FIREARMS	3 - 20
	EMERGENCY LIGHT	10-15
	BRUSHCUTTER/ HEDGE TRIMMER/ POLE PRUNER/ SLASHER/ LAWNMOWER/ CHAINSAW	5-15
	RADIO-2-WAY/ RECEIVER	4-17
	OTHER	5-20
<b>INTANGIBLE ASSETS</b>		
	COMPUTER SOFTWARE	5-10
<b>LEASE ASSETS</b>		
	OFFICE EQUIPMENT (TERM OF THE LEASE)	3-5 YEARS / TERM OF THE LEASE

### **39 IMPLEMENTATION: ROLES AND RESPONSIBILITIES**

#### **39.1 ROLE OF MUNICIPAL MANAGER**

39.1.1 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.

## 39.2 ROLE OF CHIEF FINANCIAL OFFICER

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

39.2.2 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 or by asset management.

## 39.3 ROLE OF HEAD OF DEPARTMENT (SENIOR MANAGERS)

39.3.1 Shall ensure that employees in their departments adhere to the approved Asset Management Policy.

39.3.2 Shall ensure that an assets coordinator with delegated authority has been nominated to implement and maintain physical control over assets in the department.

39.3.3 The Asset Management Section must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the senior manager.

39.3.4 Shall ensure that employees who contravene the operational procedure or who use the council assets negligently and for their personal gain are disciplined accordingly.

39.3.5 Every head of the department shall report to the chief financial officer 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.

## 39.4 ROLE OF MANAGER ASSETS

39.4.1 Shall ensure that complete asset registers kept, verified and balanced regularly.

39.4.2 Shall ensure that all movable assets are properly bar coded and accounted for.

39.4.3 Shall conduct an annual audit inventory by scanning selected movable assets and compare this inventory with the Departments asset sign offs.

39.4.4 Shall ensure that the Fixed Asset Register is balanced annually with the general ledger and the financial statements.

39.4.5 Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the finance department

39.4.6 Shall ensure that asset acquisitions are allocated to the correct asset code.

39.4.7 Shall ensure that, before accepting an obsolete or damaged asset or asset inventory item, a completed asset disposal form, counter signed by the Asset Management Section, is presented. Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from the departments.

39.4.8 Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.

39.4.9 Shall ensure that the SCM unit is notified of any auctioning or disposing of written-off asset or asset inventory item

#### 39.5 ROLE OF ALL COUNCIL EMPLOYEES

39.5.1 Shall ensure that assets assigned to them are utilized effectively, efficiently, economically and transparently

39.5.2 Shall ensure that the assets of the council are not used for private gain

39.5.3 Shall notify the assets coordinators and assets management section of all obsolete, damaged and stolen assets, without delay.

39.5.4 Shall ensure that on termination of service they returned the assets to their supervisors and complete a termination assets clearance form.

39.5.5 Shall notify the asset coordinators and assets management unit of the movement and transfer of assets assigned to them by completing an assets transfer form.

39.5.6 Shall ensure that they comply with the operational procedures.

## 40 LEGISLATIVE AND REGULATORY FRAMEWORK

This policy is compiled in line with the following legislation:

40.1 Constitution of the Republic of South Africa, 1996

40.2 The Municipal Systems Act (MSA) and the Municipal Finance Management Act, (MFMA) provide the enabling framework for municipalities to provide sustainable services, and to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Municipal Manager.

40.3 The Occupational Health and Safety Act (OHS) requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its assets safe.

40.4 The Delegation of Authority System of the municipality must be aligned to include the delegated powers reflected in this policy.

40.5 Division of Revenue Act (enacted annual)

40.6 Local Government Capital Asset Management Guideline, 2008

40.7 This policy is informed by the Standards of Generally Recognised Accounting Practice (GRAP), The following standards are components of the fixed assets i.e:

40.7.1 Property, Plant and Equipment, GRAP 17

40.7.2 Inventories, GRAP 12

40.7.3 Investment Property, GRAP 16

40.7.4 Leases, GRAP 13

40.7.5 Intangible Assets, GRAP 31

40.7.6 Heritage Assets, GRAP 103

40.7.7 iGRAP 19

## **41 STAKEHOLDER ENGAGEMENT**

41.1 All the relevant stakeholders internal and external will be consulted through the development and implementation of this policy.

## **42 MONITORING AND EVALUATION**

42.1 On a continuous basis this policy will be assessed to determine its relevance and effectiveness and to assess whether it has achieved the intended objectives.

## **43 CONCLUSION**

43.1 In conclusion, the Fixed Asset Management Policy outlines critical matters raised in the purpose and the objectives. The provisions in the policy contents highlights the need for municipality to adhere to the key issues narrated which will address challenges encountered and lead to effective and efficient implementation of the policy.

43.2 The Municipality commits to make resources available, monitor and evaluate the effectiveness of the policy, thus encouraging all relevant stakeholders to familiarise themselves with the policy and take necessary actions to fully participate and ensure compliance of the policy.

43.3 On that note, stakeholders are urged to provide feedback on implementation of the policy to enable the municipality to review and make adjustments where necessary.

## **44 REVISION DATE**

44.1 The policy will be reviewed annually or as and when the need arises.

## **45 ANNEXURES**

45.1 Business Process Map

45.2 Standard Operating Procedure

45.3 Asset audit acquisition sheet

45.4 Asset movement form

45.5 Asset disposal form