

ASSET MANAGEMENT POLICY, STRATEGY AND GOVERNANCE FRAMEWORK



ASSET MANAGEMENT

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Acronyms

AM	Asset Management
AMP	Asset Management Plan
BI	Business Impact
CAPEX	Capital Expenditure
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
HR	Human Resources
KPA	Key performance area
SAIDI	System Average Interruption Duration Index
SAMP	Strategic Asset Management Plan
TBI	Total Business Impact
TOTEX	Total expenditure over the life of the asset

EXECUTIVE SUMMARY

This report addresses the problem of local governments challenges to provide a diverse range of electrical services that are essential to our communities. The services they deliver depend on physical infrastructure assets which in turn requires a solid asset management plan. A local government's infrastructure assets (along with those provided by community partners) are the foundation that enables our communities to thrive socially, economically, culturally and environmentally. The management of existing assets, planning for future assets and their connection with front-line municipal services must be a priority for local governments. The goal of this study was to develop a solid asset management policy, strategy, framework and structure that will guide smaller municipalities in South Africa. Larger municipalities have the luxury of increased budget to fund external consultants. At smaller municipalities, budgets are often a constraints. This report is intended to assist these municipalities better control and manage their assets with the aim of reducing outages and downtime.

Project Benefits

1. Insight into international best practice trends on asset management
2. Improved electricity customer experience of service delivery
3. Improved efficiency by understanding equipment utilisation
4. Identification of ghost assets
5. Assist with financial and investment forecasting for electricity distribution assets
6. Improved maintenance practice on electricity distribution asset

1 INTRODUCTION

To properly plan investments required to sustain the existing asset base, there is a need to coordinate “top down” strategic planning, i.e., corporate strategies, policies and objectives, with “bottom up” equipment focused planning which establishes assets condition, corresponding remaining lives and the resultant CAPEX and OPEX investment requirements. To establish an effective Asset Management Planning regime, these two complementary aspects of Asset Management need to be properly integrated and vetted at various levels within the organisation. Additionally, depending on the organizational structure, different entities, business units or department are accountable for various aspects of strategic and equipment focused planning.

Fundamental to understanding the framework of Asset Management artifacts is that the person/s driving this has some idea of Asset Management. The premise to the entire catalogue of Asset Management artifacts, policies, objectives, plans, etc., is that there is an understanding of the objectives and purpose of Asset Management in the organization. It should be the north star of the process. Everything else becomes clear and easy to implement if it is guided by the objectives and purpose of Asset Management. Hence the document is to target and benefit the populace that has an understanding and interest in Asset Management. When developing Asset Management policies, organisations should also review their other business policies. It does not help if they refer to business policies that conflict, contradict or hinder Asset Management activities. Where necessary, outdated and “not fit for purpose” business policies should be reviewed to allow for Asset Management activities. Likewise, technology strategies should be revised considering an Asset Management mindset, within the ambit of business vision and value statements. Emphasis must be placed on the fact that Asset Management should not be just another process that adds to the business operational burdens. It should be viewed as the foundation and fabric of all operational activities or processes and the catalyst for improvement.

These documents do not target a specific industry. It can be used across a broad range of infrastructure groupings, utilities and industries. These artifacts are developed at various levels in an organisation. There are generally three levels referred to viz. Strategic level, Tactical and Operational levels in the organisation. The diagram below shows this relationship.

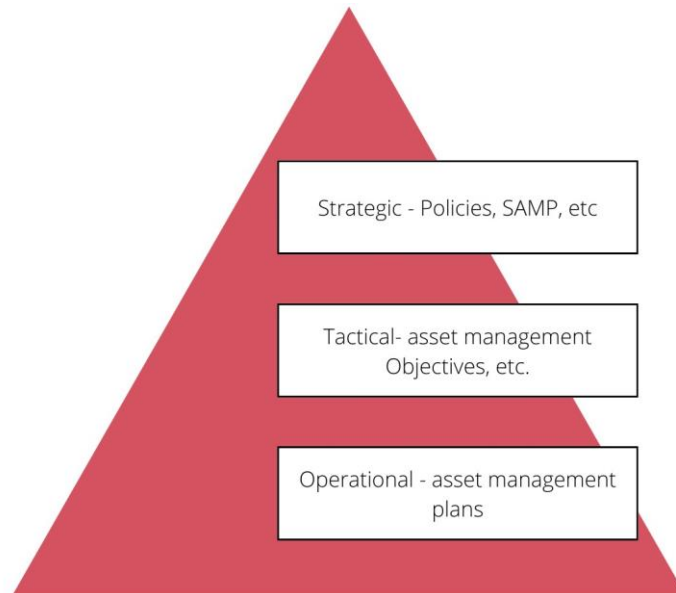


Figure 1: Relationship between Strategic, Tactical and Operational levels in the organisation.

2 THE ASSET MANAGEMENT POLICY

2.1 What is an Asset Management Policy?

An asset management policy is a document that describes what needs to be done for the management of physical assets. It outlines the principles to be applied in AM, i.e., “the rules of the game”. The AM policy should provide enough guidance for setting up the AM objectives and the framework for the development and implementation of the Strategic Asset Management Plan. It is a statement of intent - what to do. As such the AM Policy is a strategic document. It is not a document that describes how it is done how it gets done is found in processes, procedures and operational documents. The AM Policy should be a document which is only a few pages in length.

2.2 The following must be clearly articulated in the Policy:

- 1. Purpose:** The Asset Management Policy provides principles which form the basis for the Asset Management System and all Asset Management activities. It must be broad-minded, concise and direct the development of Asset Management processes and procedures that govern the operation of the Asset Management System. The Asset Management Policy articulates the organisation’s commitments and expectations and establishes the rules which are to be followed when Asset Management processes and procedures are developed.
- 2. Consistent:** The AM Policy flows from and is consistent with the Corporate Policies and is formulated to be consistent with the direction provided from the Corporate Vision and Mission and provides a framework for developing the Asset Management Objectives. Where necessary, outdated and “not fit for purpose” business policies should be reviewed to allow for AM activities.

3. **Alignment:** The Asset Management Policy needs to be aligned and consistent with Corporate Values and other Corporate Policies such as Safety and Environmental Policies.

4. **Commitment:** The Asset Management Policy which sets out the mandated principles to be applied by the organisation for Asset Management must be sanctioned by Top Management. Demonstration of Top Management leadership can be accomplished, in part, by Top Management communicating the Asset Management Policy within the organisation. Upkeep of the Asset Management Policy is another requirement of Top Management. This means fully documenting the Policy and having the documentation available to all staff. This also requires a periodic review of the Asset Management Policy by Top Management to test that it is still relevant and is providing the appropriate direction and making any modifications that are required. Therefore, the AM Policy should certainly not be a generic document and should instead be very specific and aligned with the organisation's corporate priorities.

5. **Communication:** It is important that all relevant stakeholders know and understand the Asset Management Policy.

2.3 The Asset Management Policy Template

1. Introduction
2. Purpose
3. Scope
4. AM Policy Statements
5. AM Principles
6. Communication

7. Continuous Improvement
8. Definitions
9. Acronyms
10. Related corporate documents

2.4 The Asset Management Policy Template with brief descriptions

1. **Introduction** The following should be considered as an introduction:
 - (a) Context of the organisation
 - (b) The asset base to which the policy applies.
 - (c) Reference to service delivery aspiration (intent)
 - (d) Brief description of stakeholders
2. **Purpose** The Asset Management Policy defines the key principles and requirements which will be applied to the assets. This will be the vehicle to ensure that the assets are managed in a way that contributes towards delivering the outputs expected safely, sustainably, and efficiently. It expresses the commitment and intentions of the organization to plan, design, construct, acquire, operate, maintain, renew, replace and dispose of the organization's assets in a way that ensures sound stewardship of resources while delivering valued customer services.
3. **Scope** The scope defines what assets and to whom the policy is applicable
4. **AM Policy Statements** The Asset Management Policy is based on a set of policy statements which are aligned to corporate objectives that reflect company role, purpose and vision. Some principles for example are:
 - (a) Activity on our assets will be carried out in compliance with relevant legislative
and statutory requirements
 - (b) We will reduce safety risks

- (c) The management of asset related risk will be undertaken in accordance with the corporate Risk Management Policy; and controlled through standards, business rules and procedures.
- (d) Assets, systems, etc will be managed in accordance with sustainable principles including due consideration of various aspects such as long-term financial, societal and environmental impacts.
- (e) The asset management approach will be supported by the Technology Strategy.
- (f) The asset management approach will be appropriate to the scale and relative importance of the assets and asset systems to achieving the overall organisational objectives.
- (g) Etc.

5. **AM Principles** To deliver these policy statements, the organisation will apply an asset management system approach, consistent with standards and where possible the requirements of ISO55000 series that will form part of a wider Integrated Management System. The Asset Management Policy articulates the organisation's commitments and expectations and establishes the rules which are to be followed when Asset Management processes and procedures are developed. The Asset Management System will encompass the following principles. The following are examples of principles. It is recommended that The Principles are framed in 'first person' grammar where the principle begins with 'We will...' for example we will ensure that all critical assets are risk assessed, and records will be kept up to date.
6. Ensure that the safe continued operation of all assets is paramount in any decision making process, and that all infrastructure is managed in a safe manner and within critical limits.
7. Undertake asset management in a consistent way working to align organisational and functional approaches to develop a truly integrated approach with a clear 'Line

of Sight' linking activities to the objectives.

8. Manage our assets in a systematic way and one which is in line with the approved asset management system.
9. Proactively seek structured continuous improvement of our asset management capabilities and activities and assure value for money for customers and stakeholders.
10. Strike the appropriate balance between stakeholder expectations regarding performance, reliability, risk and cost
11. All critical assets will be risk assessed, and records will be kept up to date.
12. Any risks to operations and maintenance plans introduced as a consequence of other interventions, will be assessed and controlled appropriately.
13. Define a risk-based approach to determining intervention requirements to specified levels of reliability for specified assets
14. Align all asset management interventions to the principles defined in our asset policies for all operational assets. These policies will be continuously improved to be based on whole life, whole system costs and underpinned by appropriate facts from enhanced asset information.
15. Define and have plans in place to detail and record the most appropriate approach to asset maintenance, inspection and renewal, supported by reliability, availability, maintainability and safety requirements.
16. Undertake bench-marking to establish best practice and adopt relevant findings through our Asset Management System.
17. **Communication** A statement of intent on communication mechanisms should form part of the policy. For example, the organisation should indicate that communication to relevant internal and external stakeholders, service providers

and other relevant parties who require knowledge of the Asset Management Policy is available via the following mechanisms:

- (a) Available to external stakeholders by inclusion on organisation's website
- (b) Available to our staff through the intranet
- (c) Referenced and used as part of asset management training and development programs

18. Continuous Improvement A statement on continuous improvement must form part of the policy. For example, Senior or Executive Management will arrange for the Asset Management Policy to be reviewed. Each review will include due consideration of:
 19. Alignment with the Vision, Strategic Business Plan, wider policies and the risk management framework
 20. Compliance of Asset Policies with all relevant regulations, laws and accepted best practice
 21. The 'Line of Sight' created by the Asset Management Policy and the Asset Management System, verified through appropriate assurance review
 22. Opportunities for improvements in format, communication and implementation of the Asset Management Policy itself
 23. Opportunities for continual improvement within the Asset Management System
 24. Alignment with established best practice guidelines, standards including the ISO55000 suite of documents
 25. Review cycles: In organisations just starting this journey, perhaps shorter review cycles as opposed to mature AM implementations review would be more beneficial. Identify where the business is adopting these policies well and where it is not. Interventions are normally required early on in a new process to drive adoption of the processes rather than later when the attitude is one of "it doesn't work and makes

my job harder”

26. Definitions An explanation of terms commonly used in the policy

27. Acronyms A list of acronyms used in the policy

28. Related corporate documents A list of other policies referenced in the policy

3 ASSET MANAGEMENT OBJECTIVES

3.1 The purpose for Asset Management Objectives

The purpose of AM Objectives is to set context and direction for the organization's AM activities. Objectives are established through strategic level planning of the organization. It is the formalisation of the desired future state for the organization. An objective is an outcome to be achieved. A strategy is what needs to be done to achieve this outcome. As such, the development of AM Objectives and Strategies are of paramount importance. Since the Asset Management Strategy and the Asset Management Objectives work together synonymous, they must be documented. They should be recorded in one or all the following artifacts:

1. The Asset Management Objectives
2. The Strategic Asset Management Plan (SAMP)
3. The Asset Management Plan (AMP)

This template sets the structure for a standalone document called The Asset Management Objectives. The AM Objectives is a document that emanates from the AM Policy. In the hierarchy of AM documents, the Policy supersedes all other documents.

3.2 Criteria for Asset Management Objectives

Establishing sound asset management objectives provides the basis for what the Asset Management System aims to achieve. The following must be considered when setting AM Objectives:

1. The Asset Management objectives are consistent with organisational objectives and the AM Policy.
2. The Asset Management objectives must be linked and fully compatible with the organisation's corporate objectives.

3. The organisation must consider the requirements of relevant stakeholders and of other financial, technical, legal, regulatory and organizational requirements when establishing the Asset Management objectives.
4. Asset Management objectives must be established at the relevant functions and levels.
5. The organisation must ensure the Asset Management objectives are documented.
6. The Asset Management objectives are measurable, communicated and reviewed periodically.

3.3 The Asset Management Objectives Template

1. Introduction
2. Purpose
3. Scope
4. AM Policy Principles
5. AM Objectives
6. Compliance to relevant legislative and statutory requirements
7. Decision Making
8. Reduce safety risks
9. Asset Management Objectives at Functional Levels
10. Institutional Commitment
11. Human Resources Commitment
12. Engineering Commitment

13. Procurement Commitment
14. Commercial Commitment
15. Maintenance Commitment
16. Definitions
17. Acronyms
18. Related corporate documents

3.4 The Asset Management Objectives Template with brief descriptions

1. Introduction The following should be considered for an introduction: Include a statement that refers to and establishes the relationship with the AM Policy
2. Provide a brief description of the context of the organisation
3. Include a statement that reflects top management's commitment to AM
4. The asset base to which the policy applies
5. Reference to service delivery aspiration (intent)
6. Brief description of stakeholders
7. Purpose The purpose of this document is to set context and direction of the AM activities of the organisation.
8. Scope The scope refers to the identification and management of assets
9. AM Policy Principles This section will include the AM Policy statements and principles as it appears in the AM Policy
10. AM Objectives AM Objectives set the context and direction for an organization's activities. An objective is an outcome to be achieved. The Policy Principles must be

replicated in this section and must provide sufficient detail to clearly describe the context and direction of each principle. Examples of objectives are:

11. Compliance to relevant legislative and statutory requirements: Activity on assets will be carried out in compliance with relevant legislative and statutory requirements. To achieve this principle, the following outcomes need to be achieved:
 12. Ensure compliance with regulatory requirements
 13. Ensure compliance with statutory requirements
14. Decision Making: To enable services to be provided in the most cost-effective manner possible, the organisation will adopt a formal but flexible, consistent, and repeatable approach to cost effectively manage infrastructure assets. To achieve this principle, the following outcomes need to be achieved:
 15. Decisions made are Robust,
 16. Decisions made are Repeatable
 17. Decisions made are Defendable
18. Reduce safety risks: We will reduce safety risks. To achieve this principle, the following outcomes need to be achieved:
 19. To protect our people and properties
 20. To provide staff with the necessary knowledge and skills to work safely and manage assets effectively
21. Asset Management Objectives at Functional Levels By determining what will deliver the best value from our assets for stakeholders, the organization will make informed decisions between competing factors such as service delivery, sustainability, asset performance, quality, return on investment (value), cost and risk. To derive the

benefits of Asset Management, it is important that the roles and responsibilities aligned to the different organisational units / departments are cohesive

and each department co-operates towards the end state. Asset Management is not about a singular individual or department, it's the collective effort of various role players coming towards a common purpose. The organization will ensure clarity of roles by defining roles and responsibilities and assign the authority necessary for effective delivery of services. Below are some statements that must be developed describing the various functional roles.

22. Institutional Commitment: Every department shall prepare an Asset Management Plan for the asset classes under its control. The plans shall be reviewed periodically and updated to reflect changing circumstances
23. Decision making: All decisions about assets shall be based on whole life principles.
24. Human Resources Commitment: To support the asset management framework, the organization will maintain, within reason, the necessary organizational capacity. This includes but is not limited to resourcing, financial support, staff competencies, business processes, data, integrated information systems, etc. They will provide sufficient training and resources to enable this policy to be achieved
25. Engineering Commitment:
26. Procurement Commitment:
27. Commercial Commitment:
28. Maintenance Commitment:
29. Etc.
30. Definitions An explanation of terms commonly used in the policy
31. Acronyms A list of acronyms used terms the policy

32. Related corporate documents A list of other related policies referenced in the objectives

4 ASSET MANAGEMENT PLANNING OVERVIEW

Asset Management planning requires the organisation to consider requirements to sustain the existing asset base along with the need to adapt and expand the asset base to meet increasing demand.

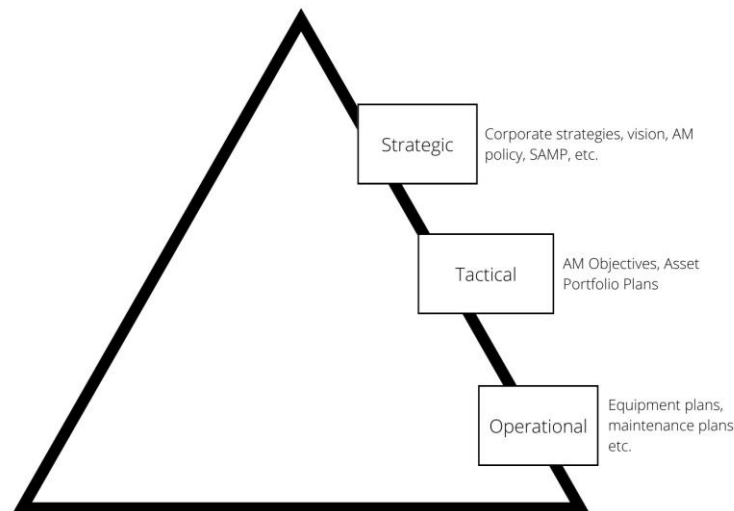
4.1 What is Asset Management Planning?

Since the purpose of Asset Management is to realise value from assets, Asset Management is then a systematic approach for the realisation of value over the life cycle of assets that an organisation is responsible for, considering various aspects, whilst maintaining the most effective balance of the three aspects namely costs, risks and performance. To properly plan investments required to sustain the existing asset base there is a need to coordinate “top down” strategic planning, i.e., corporate strategies, policies and objectives, with “bottom up” equipment focused planning which establishes assets condition, corresponding remaining lives and the resultant CAPEX and OPEX investment requirements. To establish an effective Asset Management Planning regime within the organisation these two complementary aspects of Asset Management need to be properly integrated and vetted at various levels within the organisation.

Additionally, depending on the organizational structure, different entities, business units or departments within an organisation are accountable for various aspects of strategic and equipment focused planning. For example, different groups within an organization will be responsible for different asset categories, such as pumps, valves, transformers, switchgear, etc. In addition, the planning is often further delineated based on business lines or functions, e.g. maintenance, engineering, operations, planning, corporate services, etc. Therefore, there is no specific organizational asset planning model prevalent. The prudent Asset Management Planning approach involves establishing a corporatewide Strategic Asset Management Plan (SAMP) addressing strategic planning parameters, such as Business Values, Key Performance Indicators at both corporate level and line of business or functional levels (e.g. Asset Management, Regulatory, Human Resources, etc.), while ensuring alignment of business level parameters with the

Corporate level ones. At the same time more detailed Asset Management Plans (AMPs) are developed to document the output of the decision-making process and to establish the link between strategic and equipment focused planning and the resultant investment portfolio levels within the budgetary timeframe and beyond. Generally, Asset Management Planning encompasses three levels of Asset Management, these are specifically:

1. Strategic Asset Management Planning
2. Tactical Asset Management Planning
3. Operational Asset Management Planning



While these levels are very interdependent, they nevertheless have distinct inputs and outputs and typically fall under the purview of different organizational entities, i.e. the Asset Owner, Asset Manager and Service Provider. There are two fundamental concepts in Asset Management Planning over the asset's life cycle:

4.1.1 Total Life Cycle Cost

(TOTEX) which considers both Capital Expenditure (CAPEX) and Operational Expenditure (OPEX) costs associated with each asset throughout its life. The ratios of

CAPEX to OPEX vary depending on the specific asset category and even within the specific asset category for individual assets.

4.1.2 Total Business Impact

(TBI) which in addition to TOTEX, takes into account other business measures, such as the impact on reliability and system performance, probabilistic risk cost, effect on corporate Business Values (BVs), cost of disposal, etc. Both TOTEX and TBI are used in making decisions at the beginning and throughout the lifecycle.

4.2 Strategic Asset Management Planning

The strategic level of Asset Management Planning is driven by the Corporate Policies and Corporate Objectives which drive AM Objectives, taking account of stakeholder requirements. Depending on the organizational structure, Strategic Asset Management is in the responsibility of the Asset Owners or Asset Managers, and sometimes a combination of both, and provides a decision-making framework for assuring Asset Management performance at the highest level against corporate goals represented by Business Values (BVs). These BVs are then translated into measurable Key Performance Indicators (KPIs) that are used in assessing risk to the Business Values resulting from various investment and operating scenarios at the investment portfolio level.

4.3 Tactical Asset Management Planning

The Tactical level of Asset Management typically is the purview of the Asset Manager but depending on the organizational structure may fall under different Business Units. Tactical Asset Management Planning involves developing a long-term investment plan for both CAPEX and OPEX at an asset portfolio level for annual programs and major “one-off” multi-year projects. The decisions are made using the decision-making framework provided at the Strategic Asset Management level and using inputs from Operational Asset Management that are driven by system needs, field and operating data and asset demographics.

The overriding principle in developing the appropriate investment mix is the objective to optimize TOTEX and/or the TBI. This involves considering various operating and maintenance strategies and equipment acquisition practices so that selecting appropriate alternatives, involving both brand new assets and assets already installed, results in the lowest cost at the corporate level while addressing all the identified needs.

4.4 Operational Asset Management Planning

The Operational level of Asset Management is the most granular level of Asset Management Planning and deals with decisions usually involving individual assets. Depending on the organizational structure, it is the accountability of either the Service Provider or Asset Manager. The decisions made at this level feed into the Tactical Asset Management Planning and form the basis for developing investment portfolios and project listings which are then prioritized within various constraints, e.g. finance, resource and allowed planned outages, etc. Two distinct approaches are used depending on whether an investment decision pertains to an existing asset or to brand-new assets:

Decisions for Existing Assets

For assets already in service, Operational level decisions are based on available condition data and information to determine the condition of specific units and the resulting possible actions, such as replacement or refurbishment, or perhaps a modified maintenance approach going forward. These decisions also include considerations regarding the remaining portion of TOTEX while taking into account the TBI. Finally, growth considerations are taken into account as sometimes “like-for-like” replacement is not the best alternative and new assets may address more than one need, e.g. reducing risk of failure while enhancing capabilities.

Decisions for Brand New Assets

New assets are added to the existing asset base to address a specific need. The decision usually involves considering several alternatives and selecting the preferred alternative that meets the need at the lowest estimated TOTEX and/or TBI. The evaluation also

considers possible opportunities to integrate with actions associated with existing assets.

5 STRATEGIC ASSET MANAGEMENT PLAN

A sensible Asset Management Planning approach involves establishing a corporate-wide Strategic Asset Management Plan (SAMP) addressing strategic planning parameters, such as Business Values, Key Performance Indicators at both corporate level and line of business or functional levels (e.g. Asset Management, Regulatory, HR, etc.), while ensuring alignment of business level parameters with the Corporate level ones. At the same time more detailed Asset Management Plans (AMPs) are developed to document the output of the decision-making process and to establish the link between strategic and equipment focused planning and the resultant investment portfolio levels within the budgetary timeframe and beyond.

5.1 What is a Strategic Asset Management Plan?

The SAMP is a key long-term planning document. A Strategic Asset Management Plan (SAMP) specifies:

1. How organisational objectives are to be converted into Asset Management objectives. The approach for developing Asset Management plans.
2. The role of the Asset Management System in supporting achievement of the Asset Management objectives.
3. Provides the direction for the future for the organisation
4. Guidance on how the organisation intends to achieve those objectives.

5.2 What is to be included in a Strategic Asset Management Plan

In the development of a SAMP, a narrative on the following aspects must be included:

1. An overview of the Asset Management System and reference to a more detailed description of the Asset Management System.

2. Scope of the Asset Management System.
3. Definition of the current position or baseline of the utility in its implementation of Asset Management.
4. The key roles and responsibilities for the implementation of the Asset Management System.
5. Stakeholders of the SAMP.
6. A description of the Asset Management Objectives, how these are consistent with the corporate objectives / stakeholder requirements and a description of how the achievement of the objectives will be measured.
7. The criteria for Asset Management decision making.
8. An analysis of the criticality of the different asset types and components of the asset
9. base on the achievement of the Asset Management Objectives.
10. The lifecycle approach that the utility has adopted to manage the risks across the
11. lifecycle of the assets, including consideration of how risks at different stages of the lifecycle are managed.
12. A description of the organisation's risk management processes and how these are aligned with the Asset Management objectives and decision-making criteria.
13. A description of any relevant funding scenarios or other scenarios that could impact the Asset Management System.
14. A summary of the strategies to be applied to each asset class in order to achieve the Asset Management objectives, including considerations of the different operating, aging, or other scenarios.

15. A summary of the work volumes and costs that result from the applications of these asset class strategies for each scenario over an appropriate planning period.
16. A summary of the expected outcomes (e.g. Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), level of risk, System Average Interruption Duration Index (SAIDI), etc.) as a result of the application of the asset class strategies for each scenario over an appropriate planning period.
17. A summary of the strategy that will be adopted for the management of asset information to support both decision-making and the operational requirements of the assets.
18. A summary of the strategy for developing staff to ensure they can effectively execute their roles and responsibilities within the Asset Management System in the most efficient manner.
19. A description of the governance arrangements that the utility has put in place to ensure the Asset Management System is effectively implemented.
20. A description of how the organisation intends to develop its Asset Management capabilities in order to achieve the Asset Management objectives. This would typically include a summary of, or reference to, an improvement plan for the activities the utility has committed to in order to deliver this improved Asset Management capability.

5.3 Upkeep of the Strategic Asset Management Plan

It is important to stress that the development of the SAMP is not a one-off activity. The updating of the SAMP should be part of the overall planning process for the organisation, aligned with corporate, financial and other planning activities. There should be a documented procedure for updating the SAMP, and it should be embedded in the Asset Management System and business processes.

5.4 Strategic Asset Management Plan Template

1. Executive Summary
2. Introduction
3. Background
4. Current Context of the Infrastructure
5. Purpose
6. Objectives
7. Scope and Applicability
8. Asset Management Approach
9. Alignment with Strategic Goals and Objectives.
10. AM Governance Structure
11. Asset Management within the context of the Organisation
12. Current Context of the organisation's AM Maturity
13. Key Asset Management Enablers
14. Levels of Service
15. Strategies for Achieving AM Enablers
16. Role of the SAMP
17. Organisation and People
18. Asset management leadership
19. Organisational Structure
20. Human Resource Capability Development

21. Strategy
22. Asset Management Policy
23. Investment decision-making and budgeting
24. Life Cycle Management
25. Asset Management Planning
26. Asset Management Plans (Functional SAMPs including renewal and end of life management plans)
27. Equipment Asset Maintenance Plans
28. Risk Management
29. Performance Management
30. Work Management
31. Work Scheduling and Planning
32. Outage Management (Planned & Unplanned)
33. Fault Management
34. Information Management
35. Continuous Improvement and upkeep of the SAMP
36. Regulatory Framework
37. Acronyms
38. Definitions
39. References
40. List of Annexures

5.5 Strategic Asset Management Plan Template with Brief Descriptions

1. **Executive Summary** This section is reserved for the head of the organisation (eg Chief Executive, Chairperson, Director, etc.) to provide a short encouraging message which has an asset management bias and support.

2. Introduction

(a) Background

(b) Current Context of the Infrastructure

Description of the different classes of assets, size of asset base, reference to key stakeholders, current service delivery

3. Purpose: The purpose of this SAMP is to provide

4. Objectives: The SAMP objectives are to ensure that objectives are met.

5. Scope and Applicability The reference to whom and the assets affected by the SAMP

6. Asset Management Approach

(a) Alignment with Strategic Goals and Objectives - A description of the policies, corporate directives, objectives applicable.

(b) AM Governance Structure – description of the AM structure and how it is overlaid with the organisational structure. Their roles and responsibilities detailed.

(c) Asset Management within the context of the Organisation – Description of performance areas, KPA's etc.

(d) Current Context of the organisation's AM Maturity – a detailed description of the results of the AM assessment and the level at which the organisation aspires to within certain time frames.

- (e) Key Asset Management Enablers – a detailed description of the key enablers to ensure the goals and objective are met. This includes and not limited to the role of the SAMP, Organisation & People, Strategy, Life cycle management, Asset Management Planning, Risk Management, Performance Management, Work Management, Information Management, and Continuous Improvement
7. Levels of Service A detailed description of the current and future levels of service from different asset classes
- (a) Strategies for Achieving AM Enablers
 - (b) Role of the SAMP - The SAMP integrates the strategic goals of the organisation with that of the AM program. Its primary objective is to ensure that service delivery is maintained or improved reliably and sustainably
 - (c) Organisation and People – provide a detailed a list of strategies that focus on leadership contribution, organisational structure, culture, and HR capability to enable asset management.
 - i. Asset management leadership
 - ii. Organisational Structure
 - iii. Human Resource Capability Development
 - (d) Strategy – Provide the details of the AM Policy and details informing and affecting investment decisions and budgeting. Describe the criteria for Asset Management decision making
 - (e) Asset Management Policy
 - (f) Investment decision-making and budgeting
8. Life Cycle Management – describe in detail how the assets will be managed and taken care of during the life of the asset. Provide info on Asset renewal, end of life and maintenance plans for existing assets. Describe the relationship between OPEX and CAPEX over the total life of the asset. Provide guidelines on how the

total cost of ownership is considered.

9. Asset Management Planning - describe in detail how the assets will be planned and taken care of during the life of the asset. Provide info on Asset renewal, end of life and maintenance plans for existing assets.
10. Asset Management Plans – Detailed AM Plans are to be developed for different portfolio of asset classes and housed in a separate document. These AM Plans should typically cover details of a fleet of assets and also any specific asset (depending on criticality). For the SAMP document the summary of programmes/plans that need to be adopted over the life cycle of the various asset fleet should be recorded. All assets, especially those classified as critical must have specific plans that describe the short-, medium- and long-term actions. These actions set the tone and direction of each department executing their asset management objectives.
11. Equipment Asset Maintenance Plans – Following from the above AM Plans, equipment plans shall be developed and housed in a separate document. For the SAMP document, a summary of equipment plans that need to be adopted over the life cycle of the various asset fleet should be recorded. These actions must be monitored, it sets the tone and direction of each department executing their asset management objectives timeously.
12. Risk Management – Document the role of each department in performing the analysis, providing risk mitigation, and monitoring of completion of the actions. The purpose of risk management is to identify potential risks, understand the cause, effect and likelihood of adverse events occurring, to manage such risks to an acceptable level, and to provide an audit trail for the management of risks.
13. Performance Management – record that the organisation shall develop meaningful metrics and reporting tools that provide an accurate reflection of asset management practices in the organisation.

14. Work Management – Describe in detail the role of each department in the following activities. Emphasis must be placed on ensuring a transparent process or processes exist for these activities. These processes should be standardised throughout the organisation.
15. Work Scheduling and Planning
16. Outage Management (Planned & Unplanned)
17. Fault Management
18. Information Management – describe the detail of the information systems that are there to support AM. The system should cover all phases of the assets’ life cycle and support maintenance management, financial, performance, and operational information. Asset Information must be correct, up-to-date and support decision making.
19. Continuous Improvement and upkeep of the SAMP– The importance of continuous improvement and assessments must be recorded. Each dept will need to develop their own improvement plans. A statement that commits to the upkeep of the Strategic Asset Management Plan must also be included in this section.
20. Regulatory Framework Record a list of all the regulatory standards and framework that the SAMP must comply with
21. Acronyms Record all the acronyms and abbreviations used in the SAMP
22. Definitions Provide a description of less commonly used terms, used in the SAMP
23. References Provide a list of references used in the development of the SAMP
24. List of Annexures Provide a list of annexures applicable to the SAMP

6 ASSET MANAGEMENT PLANS

An organisation develops a Strategic Asset Management Plan (SAMP) to describe how it will achieve the organizational objectives and strategy supporting its asset management activities. The SAMP and/or AMPs will also describe non-asset activities such as procuring goods and services, measuring and evaluating performance, conducting internal audits and management reviews. If the organization is large and/or has many asset classes, it should develop asset specific Asset Management Plans (AMP) to drill into more detail per asset class. In generating the AMPs, which are created to deliver the Organizational Objectives, the organisation must consider various aspects such as:

1. The Organization's desire to implement the AMP, which should be challenging, however should not be impossible to deliver.
2. The availability of funds and resources to successfully implement the AMP and therefore deliver the Objectives.
3. The AMPs should contain some flexibility, because even the best organisation will have issues during implementation of the AMPs. This flexibility however needs to be supported by clear decision-making criteria which can prioritize activities during the execution of the plans.
4. A key element of the AMP will be a communications plan which details how the AMP and its impact will be communicated to stakeholders (e.g. customers which will lose service when work is being done to the system). The AMP must contain AM capability development activities which are required to support the Asset Management System and the delivery of the asset related activities in the AMP.

Therefore, an AMP needs to address several factors such as any development of organizational and personal competencies as well as training required for the effective and efficient delivery of the AMP. Likewise, most will have capital projects which span

many years and are included in the AMP. Therefore, the control mechanisms for project management must be reflective of a multi-year timeframe.

6.1 What is an Asset Management Plan?

Asset management plans (AMPs) define the implementation activities necessary to realize an organization's asset management objectives which translate the strategic intent of the company. An asset management plan is a tactical plan for managing an organisation's infrastructure and other assets to deliver an agreed standard of service. Typically, an asset management plan will cover more than a single asset, taking a system approach especially where several assets are co-dependent and are required to work together.

6.2 Success factors of Asset Management Plans

For AMPs to be realistic, workable and deliver the benefits, there needs to be a connection with specific plans to achieve the objectives, the achievement of which is tracked through aligned Key Performance Indicators. Even the most robust strategy and well-defined AMPs will fail to deliver the organizational objectives if the plans are not successfully executed and there are no suitable KPIs in place to measure progress and success. Some key enablers, amongst others to the successful completion of AMPs are:

1. There should be a clear understanding of either the opportunity or problem to be solved with respect to the strategic initiative. There must be a clear understanding of what a successful outcome is or indeed how will the organisation realize the benefit.
2. Strong, clear and consistent communication by top management regarding initiatives so that team members are fully aware that they are part of AM System and how they contribute to its success.

3. Clear corporate priorities, which will prioritize initiatives and activities which are urgent and important and will prevent lower priority initiatives from competing for the same resources.
4. Duplicated initiatives should be identified, and a decision made regarding which initiative will remain and which will be removed. Duplicated initiatives can happen when two departments, operating as silos, are trying to do the same thing but in different ways.
5. Key personnel and subject matter experts should be identified and their workload to support AM initiatives, in addition to doing their “day job”, should be estimated. Management must then allocate time for the SMEs to work on the development activities. This will avoid the same key resources being over-committed which would prevent successful implementation of the activities.
6. Adequate resources must be put in place in terms of funding, manpower, materials or equipment to successfully implement the activities.
7. Appropriate controls must be established such as:
8. Clearly defined roles and responsibilities; it is beneficial to use RACI (Responsible, Accountable, Consulted, Informed) matrices.
9. Work management systems for operational activities.
10. Project management tools.
11. Performance metrics.
12. Plans should be coordinated within the work schedule, e.g. where there is clear benefit, Operations and Maintenance work should be scheduled to coincide with Capital work or vice versa.
13. Aligning the procurement plan for assets with the installation plan will mean that the activity will not be delayed waiting for material and the work will be completed on time and within budget.

14. There must be decision-making criteria for prioritizing work when the plans are being executed. While the plan may have contingency plans in place for issues which arise, plans may nevertheless need to be changed during execution.

6.3 Requirements for the development of an Asset Management Plan

The development of AMPs begins with the strategic asset management plan. The SAMP will refer to the Portfolio of Assets. An asset Management plan for this portfolio of Assets will provide the detail of the various plans required for diverse assets in that portfolio. The following are some aspects amongst others that must be considered when developing an AMP:

1. The purpose and function of the asset
2. Make, model, serial number, age, (year of manufacture, year of installation), commissioning date, capacity, etc of the asset
3. Current Performance of the asset and performance history over a period.
4. Operational conditions of the asset i.e. loading, exposure to weather, fire, utilisation
factor, is the asset performing in accordance with the designed intent?
5. Maintenance interventions and the impact these interventions have had. Has the performance improved, stabilised, or deteriorated since the last maintenance intervention?
6. Where on the Bathtub curve would you position the asset performance / probability of failure?
7. Asset Health Indices
8. Remaining useful life
9. Condition of asset

10. Root causes of failures
11. Risk ranking (associated probability and consequence of failures - NB stakeholders)
12. Funding – CAPEX, OPEX, TOTEX, TBI, etc
13. Procurement lead times for the asset
14. Outage requirements for maintenance or renewal
15. What intervention will return the asset to its designed performance e.g. Maintenance, refurbishment, renewal, modifications, etc

The asset and equipment plans should be fit for purpose. The following bathtub curve provides some clarity to the types of interventions required at various stages in the life of the asset.

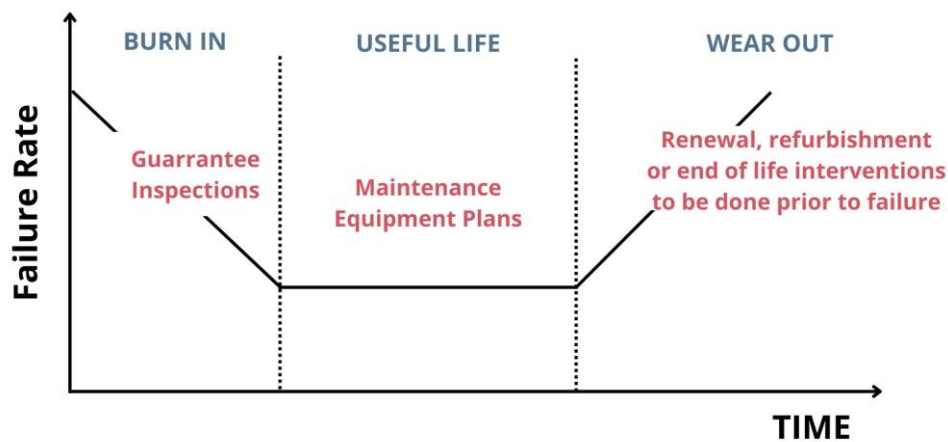


Figure 2: Clarity to the types of interventions required at various stages in the life of the asset.

These interventions form the basis for the asset management plan or equipment plan for an asset. Each of these plans, for similar assets are then grouped together to form the set of interventions required for this portfolio of assets. This portfolio together with other similar portfolios can be combined to form the interventions required for that class of

asset. For example, one could develop an AMP for a 10 MVA transformer, then collate the individual AMPs for the entire fleet of 10 MVA transformers. This package will give the organisation the AMP for 10 MVA transformers. One could then take this a step further and group all the other transformer categories such as 5 MVA, 10 MVA, 20 MVA, 80 MVA, etc into a single portfolio. This total package will then be the Transformer Asset Portfolio for the organisation. In so doing one would develop a set of plans at different levels in the organisation viz at operational level – a plan for a specific 10 MVA transformer, at tactical level – a portfolio plan for all 10 MVA transformers and at Strategic level a Portfolio plan for all Transformers. The diagram below shows this relationship.

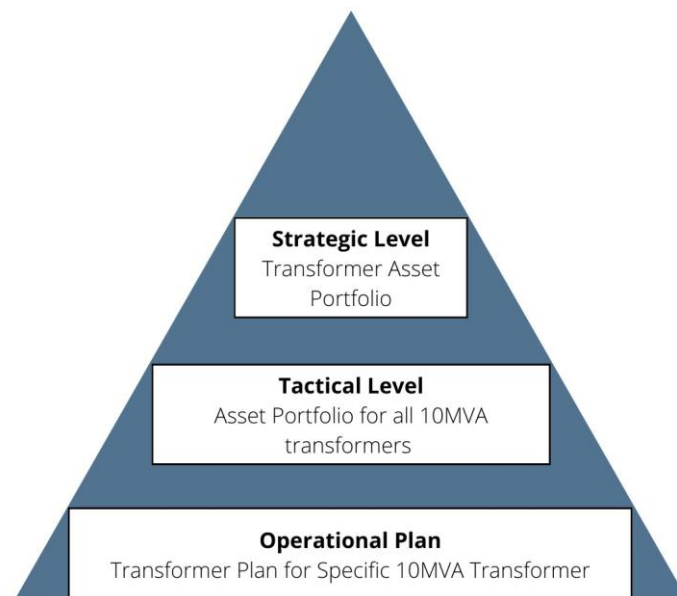


Figure 3: Example set of plans at different levels in the organisation for a specific 10 MVA transformer

By using this approach for other assets, one can develop equipment plans for the entire asset base and eventually an asset management plan for a portfolio of assets and collectively the strategic asset management plan for the portfolio of all assets under its care. The starting point to this journey begins with the assets that are classified as critical and eventually over time all other assets can be incorporated.

6.4 Asset Management Plans Maturity

It must be remembered that like asset management, the development of an asset management plan is a journey and not the end. The maturity of the AMP goes through various phases as depicted below. The initial AMP developed is generally at a basic level and as time, data, information becomes available, more accurate and relevant, the AMPs will evolve into intermediate and advanced levels.

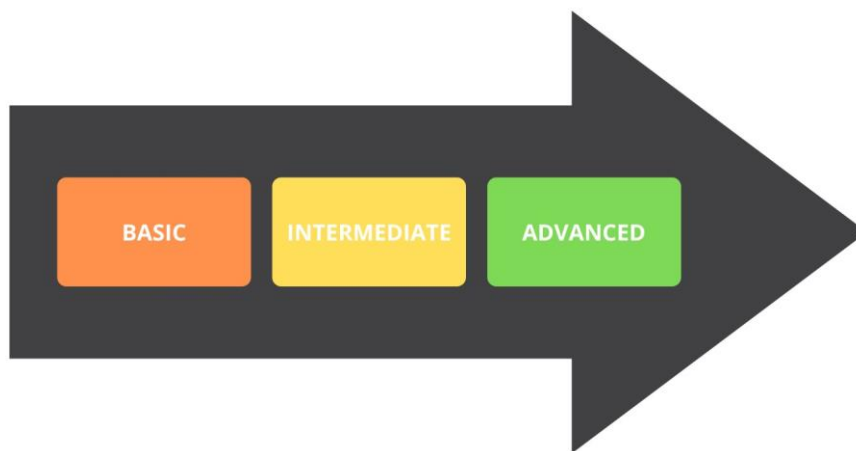


Figure 4: Progression from basic, intermediate to advanced levels of asset management.

6.5 Asset Management Plan Template

1. Introduction
2. Purpose
3. Scope and Applicability
4. Alignment with Strategic Goals and Objectives.
5. Asset Management Policy
6. Reference to the Strategic Asset Management Plan

7. Asset Management Objectives
8. Asset Management Enablers
9. Asset Life cycle Plans
10. Summary of asset portfolio
11. Details of asset fleet
12. Asset Health Analysis at different life cycle stages
13. Asset Maintenance interventions
14. Asset Replacement and Renewal programmes (e.g. end of life, renewal, etc)
15. OPEX expenditure analysis
16. CAPEX expenditure analysis
17. TOTEX requirements
18. Continuous Improvement and upkeep of the AMP
19. Regulatory Framework
20. Acronyms
21. Definitions
22. References
23. List of Annexures

6.6 Asset Management Plan Template with Brief Descriptions

1. Introduction A brief description of the SAMP, this AMP and the asset class in the context of the organisation
2. Purpose - The purpose of the AMP is to...
3. Scope and Applicability - The reference to whom and the specific assets that the AMP is developed for.
4. Alignment with Strategic Goals and Objectives. A description of the policies, corporate directives, objectives applicable
5. Asset Management Policy The organisation's asset management policy
6. Reference to the Strategic Asset Management Plan A reference to the SAMP where the asset portfolio is mentioned.
7. Asset Management Objectives A description of the objectives applicable to the AMP
8. Asset Management Enablers A description of the enablers relevant to the AMP. These actions must be monitored, it sets the tone and direction of each department executing their asset management objectives timeously.
9. Asset Life Cycle Plans Detailed AM Plans are to be developed for different portfolio of asset classes and housed in this AMP. These AM Plans should typically cover details of a fleet of assets and any specific asset (depending on criticality). All assets, especially those classified as critical must have specific plans that describe the short-, medium- and long-term actions. A detailed description of each of the following must be included in the AMP
10. Summary of asset portfolio
11. Details of asset fleet
12. Asset Health Analysis at different life cycle stages

13. Asset Maintenance interventions
14. Asset Replacement and Renewal programmes
15. OPEX expenditure analysis
16. CAPEX expenditure analysis
17. TOTEX requirements
18. Continuous Improvement and upkeep of the AMP
19. Regulatory Framework Record a list of all the regulatory standards and framework that the AMP must comply with
20. Acronyms Record all the acronyms and abbreviations used in the AMP
21. Definitions Provide a description of less commonly used terms, used in the AMP
22. References Provide a list of references used in the development of the AMP
23. List of Annexures Provide a list of annexures applicable to the AMP

7 CONCLUSIONS

The challenges for municipalities in South Africa continue to intensify: high end user expectations, stretched budgets, declining staff resources, increasing complexity, more stringent accountability requirements, rapid technological change, and a deteriorating infrastructure. Asset Management is the key to finding the most effective and cost-efficient balance of preserving, upgrading, and replacing assets in this environment. Some municipalities have a few of the elements that provide information to the asset management process. Most smaller municipalities have yet to take any significant steps towards an asset management programme. This report is to assist smaller municipalities with the templates to put together an asset management policy and strategic plan. Local governments can use this to be better stewards of the infrastructure they own. By researching asset management approaches both locally and internationally, the research identifies the key elements that should be included for smaller municipalities. The aim is to create stronger linkages to national (and local) policies and goals.

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8 ANNEXURES

The following example asset management policies and strategic plans are included in the annexures:

1. City of Tshwane Asset Management Policy
2. Saldanha municipality Asset Management Policy
3. City of Cape Town Asset Management Policy



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ASSET MANAGEMENT POLICY

For implementation as from 1 July 2019



TABLE OF CONTENTS

1. DEFINITIONS AND ABBREVIATIONS

Item	Description
Asset	An asset is a resource, tangible or intangible, controlled by the entity as a result of past events which is expected to be used during more than one reporting period and from which future economic benefits or service potential will flow.
Asset management	Management of the assets of the municipality as required by municipal legislation which <i>inter alia</i> includes the compilation of an asset register
Carrying Amount	The amount at which an asset is included in the statement or financial position after deducting any accumulated depreciation and any impairment losses thereon.
CFO	Chief Financial Officer or the official acting in that capacity
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.
Depreciation	This is the systematic allocation of the cost of use of an asset over its useful life.
Depreciable Amount	The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
Fair Value	The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Asset Register	An asset register is a list of the assets owned or controlled by an entity. It contains pertinent details about each asset to track their value and physical location. Asset Register preferably in computerized format and maintained strictly in accordance with this document, which shall reflect all the assets of the municipality.
GRAP	Standards of Generally Recognised Accounting Practice
IAS	International Accounting Standards
Impairment	An asset is impaired when the carrying amount exceeds its recoverable amount or recoverable service amount.
Owner-occupied	Property held (by the owner or by the lessee under a finance

Item	Description
Property	lease) for use in the production or supply of goods or services or for administrative purposes
PPE	Property, Plant & Equipment – These are tangible assets that: <ul style="list-style-type: none"> - are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and - are expected to be used during more than one reporting period
Residual value	The estimated amount that the municipality 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.
Recoverable Amount	The estimated amount which the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
Recoverable service amount	Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use
SCM	Supply Chain Management
Useful life	Useful life is either: <ul style="list-style-type: none"> - the period over which an asset is expected to be available for use by the municipality, or - the number of production or similar units expected to be obtained from the asset by the municipality.
Value in use	Value in use reflects the amount that can be derived from an asset through its operation and its disposal at the end of its useful life.

2. OBJECTIVE OF THE ASSET MANAGEMENT POLICY

The Asset Management Policy provides direction for the management, accounting and control of Non-current Assets (Fixed Assets) owned or controlled by the municipality.

3. ROLE OF THE ACCOUNTING OFFICER

Section 63 of the MFMA states that:-

- (1) The Accounting Officer is responsible for the management of—*
- (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and*
 - (b) the liabilities of the municipality.*
- (2) The Accounting Officer must for the purposes of subsection (1) take all reasonable steps to ensure—*
- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*
 - (b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*
 - (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.”*

4. ROLE OF THE CHIEF FINANCIAL OFFICER

The CFO shall be the custodian of the asset register of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised asset register is maintained. No amendments,

deletions or additions to the fixed asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

4.1 Asset Control Section

- Shall ensure that complete records of asset items are kept, verified and balanced regularly.
- Shall ensure that all movable assets are properly tagged and accounted for. (see also 24.1)
- Shall conduct an annual asset verification by scanning selected movable assets and compare this inventory with the Departments asset sign-offs of the previous year.
 - (see also 26.2)
 - The asset verification report shall reflect any discrepancies between the articles found during verification and the record referred to in the point above;
- Shall ensure that the Asset Register is balanced annually with the general ledger and the financial statements.
- Shall ensure adequate bar codes to exercise the function relating to asset control are available at all times.
- Shall provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Asset Register.
- Shall ensure that all audit queries are resolved in a timely manner.
- Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the Finance department in the prescribed format.
- Shall ensure that asset acquisitions are allocated to the correct asset code.
- Shall ensure that, a completed asset disposal form, counter signed by the Asset Control 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.
- Shall compile, in conjunction with the stores controller, a list of the items to be auctioned in accordance with their guidelines in the Supply Chain Management (SCM) Policy.
- Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.

4.2 The Manager: Budgets

- Shall ensure that the capital budget as submitted by the departments after budget cutting and balancing process, and funded is included in the budget for consideration by council. A clear description of the funding source is also required.
- Shall include a capital project only after receiving written authority and a clear and concise description of the item to be purchased as well as an allocated responsible person for this asset. This information must be indicated by the department in the capital budget documents
- Shall ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to the Asset Control Section.

4.3 The Manager: Expenditure section

- Shall ensure that invoices authorised for payment are matched to the goods received note / proof before processing such payment.
- Shall if any doubt exists as to whether the invoice is in accordance with policy, query the payment with the relevant department and shall not process a payment until the invoice meets the policy criteria.
- Shall ensure that the Procurement section is notified of any auctioning or disposing of written-off asset or asset inventory items.

4.4 Procurement Section/Supply Chain Section

- Shall dispose, in conjunction with the Manager: Expenditure Section assets via auction or public tender or other approved method in accordance with the provisions in the Supply Chain Management (SCM) Policy.
- The Bid Adjudication / Bid Specification Committee must comply with and be constituted in accordance with the procurement SCM policy.
- Shall ensure that the completed “asset take-on” document, indicating the asset ID, accompany above documents before processing order.

- Shall ensure that the completed “asset take-on document: infrastructure assets” when infrastructure assets are purchased accompany above documents before processing order.

5 ROLE OF OTHER DEPARTMENTS

Section 78 of the MFMA, Senior managers and other officials of municipalities, states that:

“(1) Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure—

- a) that the system of financial management and internal control established for the municipality is carried out diligently;*
- b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;*
- c) that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;*
- d) that all revenue due to the municipality is collected;*
- e) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;*
- f) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and*
- g) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.”*

5.1 Human Resources Department

The Human Resources Department:

- Shall ensure that no monies are paid out on termination of service without receiving the relevant asset resignation form signed off by the relevant department. (See also 25.6)
- Shall ensure that every asset resignation form is counter signed by the Asset Control Section before processing the termination of service.

5.2 All Departments

Directors: ○ Shall ensure that employees in their departments adhere to the approved Asset Management Policies.

- Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset Control 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 director. The delegated individuals will be known as Asset Controllers.
- Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policies.
- Shall ensure that the assets of the Municipality are not used for private gain.
- Shall ensure that all their movable assets as reflected on the Asset Register are bar coded where possible.
- Shall ensure that the Asset Control Section is notified of any changes in the status of the assets under the department's control. This must be done on the prescribed form and include the following:
 - Movements/Disposals which relate to the transfer of assets (inter departmental transfers).
 - Changes in the estimated useful lives of assets for depreciation purposes.
 - Changes in depreciation methods to best reflect an assets pattern of use.
 - The identification of impairment losses on assets by following the procedures as outlined in section 20 of this policy document.
 - Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Control Section without delay.
- Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- Shall not procure any asset until the asset number is obtained, asset number allocated and will ensure that assets are bar-coded by the Asset Control Section and insured by the Finance Department.

- The detailed projects as created must be categorized and clearly identified as prescribed in version 6.2 of the mSCOA chart.
- Shall ensure that all Managers of all departments inform the AFS, Assets & Returns department of any projects completed during the year and provide written confirmation of the date the project asset was handed over to the municipality and related assets available for use. A completion certificate must also be provided to AFS, Assets & Returns department within 7 days of handover and/or completion in order to ensure that completed projects are taken up in the asset register of the municipality and are properly insured.
- Shall ensure that when asset(s) are donated to the municipality, the Manager that will be responsible for the maintenance and operation of the asset, informs the AFS, Assets & Returns department within 7 days of receipt of the asset and provide all relevant documentation of hand-over process in order for the asset to be taken up in the municipality's asset register and ensure that the asset(s) are properly insured.

6 DEFINITION OF AN ASSET

6.1 Definition of an Asset

An asset is a resource controlled by the municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the municipality.

The definition has three components, which must all be satisfied in order to be classified as 'an asset' in an accounting sense. They are relevant to all forms of assets:

- The municipality has the capacity to control the service potential or future economic benefits of the asset, that it is control of the economic benefits or service potential of the asset rather than 'physical' control;
- The service potential or future economic benefits arose from past transactions or events existing on reporting date (that is future assets cannot be recognised in the financial statements); and
- The asset has future service potential or economic benefit for the municipality. The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the municipality. The potential

may be a productive one that is part of the operating activities of the municipality. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative process lowers the costs of providing a service.

- Service potential is thus the capacity of an asset, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipality.
- An asset held under a finance lease, if it meets the remaining criteria of a fixed asset, shall be so recognized, as the municipality has control over such an asset even though it does not own the asset.

6.2 Role of Assets

The role of assets is to support the delivery of a service to the public. Assets should exist to support program delivery.

7 FORMAT OF THE ASSET REGISTER

7.1 Format

The fixed asset register shall be maintained in the format determined by the CFO, which format shall comply with the requirements of any accounting requirements which may be prescribed.

Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the asset module shall reflect at least the following information:

- a brief but identifiable description of each asset
- classification of each asset
- the date on which the asset was acquired for use
- the location of the asset
- the

- departments or cost centre within which the assets will be utilised
- the title deed number, in the case of fixed property (where available)
- the stand number, in the case of fixed property
- encumbrances or impediments upon fixed property such as servitudes, caveats, mortgages, etc.
- status of the fixed property (land) in terms of the municipal town planning scheme (where available)
- where applicable, the identification number, as determined in compliance with 7.2 below
- the original cost or fair value if no costs are available
- the (last) effective date of revaluation of the assets subject to revaluation
- the revalued value of such assets
- the valuer who did the (last) revaluation
- accumulated depreciation to date
- the carrying value of the asset
- the method and, where applicable, the rate of depreciation
- impairment losses
- impairment recovery
- the source of financing
- the current insurance arrangements
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements
- maintenance plan referrals
- whether the asset is required to perform basic municipal services
- the date on which the asset is disposed of
- the disposal proceeds
- the date on which the asset is retired from active use, and held for disposal
- the residual value of each asset
- measurement model
- periods when the asset were idle and reason for the idleness.

All directors of departments under whose control any asset falls shall promptly provide the CFO in writing of any information required to compile the asset register, and shall promptly advise the CFO in writing of any material change which may occur in respect of such information.

An asset shall be capitalised, that is, recorded in the asset register, as soon as it is acquired and commissioned when available for use. 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 commissioned as an asset.

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

7.2 Different categories within FAR

The following is an outline of the requirements relating to the various types of asset categories that the municipality will maintain:

- The CFO is responsible for ensuring that complete records of asset items are kept, verified and balanced regularly.
- The Asset Register (FAR) for the Municipality will contain assets categorized in line with version 6.2 of the mSCOA chart.

8 CLASSIFICATION AND IDENTIFICATION OF PPE

8.1 Classification

In compliance with the requirements of mSCOA and GRAP standards; the CFO shall ensure that all assets are classified under the following headings, and directors of departments shall in writing provide the CFO with such information and assistance as is required to compile a proper classification.

8.2 Identification

The Accounting Officer shall ensure that the municipality maintains an asset identification system which shall be operated in conjunction with its computerised asset register.

The identification system shall be determined by the Accounting Officer, acting in consultation with the CFO and other directors of departments, and shall comply with any legal prescriptions, as well as any requirements of the Auditor-General, and shall be decided upon within the context of the municipality's budget.

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

8.3 Verification

The Asset Control Section shall at least once during every financial year provide all directors of departments with a comprehensive list of assets which is registered under their control.

Every director of a department shall be responsible for verifying this list with the assets under their control and investigate any discrepancies arising out of the asset verification exercise. The director of each department will be required to sign and date a declaration stating that the list of assets verified for his/her department is complete & accurate except for the discrepancies as reported to the Asset Control Section.

8.4 Safekeeping

Section 63 of the Municipal Financial Management Act (Act no 56 2003) determines that the Accounting Officer is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

Section 78 of the Municipal Financial Management Act (Act no 56 2003) determines each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary. A

senior manager or such official must perform the functions subject to the directions of the Accounting Officer.

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

In exercising this responsibility, every director of a Department shall adhere to any written directives issued by the Accounting Officer to the Department in question, or generally to all Departments, in regard to the control of or safekeeping of the municipality's assets.

Every Director of a department shall ensure that no assets are kept at employees' private residences, unless otherwise approved by the Director or delegated person in that department, e.g. people that are on standby, computer laptops and tablets (form handed in at the IT Section). Cell phones must be safely kept by the person issued to.

9 HERITAGE ASSETS

9.1 Definition

Heritage assets are 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. Examples are works of art, conservation areas, historical buildings and statues.

9.2 Recognition and Disclosure of Heritage assets

The municipality shall choose as its accounting policy either the cost model or the revaluation model and shall apply that policy to an entire class of heritage assets.

Where no evidence is available to determine the market value in an active market of a heritage asset, a valuation technique may be used to determine its fair value. Valuation techniques include using recent arm's length market transactions if available. In the case of specialised heritage buildings and other man-made heritage structures, such as

monuments, the municipality may need to determine fair value by using a replacement cost approach.

If the municipality is unable to determine fair value reliable due to market-determined prices or values that are unavailable and alternative estimates of fair value are determined to be clearly unreliable, the heritage asset shall be measured using the cost model.

10 DONATED/ BEQUEATHED ASSETS

10.1 Definition

An item donated or bequeathed to the municipality or acquired by means of an exchange of assets between the municipality and one or more other parties shall be recorded in the asset register only if it subscribes to the definition of an asset as set out in section 6 above.

10.2 Disclosure of Donated/Bequeathed Assets

Donated assets will be disclosed in the Statement of Financial Position at fair value less accumulated depreciation at date of acquirement. Fair value being what the asset would cost in the open market at the date of acquirement. If there is no open market for such assets the depreciated replacement value will be applied to determine fair value.

The transaction of acquirement will reflect on the Statement of Changes to Net Assets as

“Assets Donated/Bequeathed”

10.3 Budgetary requirements

The same budget requirements as for other assets are applicable.

11 AGRICULTURAL ASSETS

11.1 Definitions

Biological assets are defined as living and productive animals or plants. Agricultural produce is the harvested product of the biological assets.

11.2 Measurement

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs, except for assets which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable which shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less estimated point-of-sale costs at the point of harvest.

Records of the details of agricultural assets shall be kept in a separate section of the asset register or in a separate accounting record altogether and the municipality must provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate.

11.3 General

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

If the municipality's investment in agricultural assets does represent a material part of its financial activities, the CFO, in consultation with the director of the Department concerned, shall ensure that expert valuations are done at such more frequent intervals as the Council shall deem appropriate. Such valuations shall then account for losses, sales, acquisitions and other changes to the composition of the agricultural assets concerned.

The Departments shall annually insure the municipality's agricultural assets, provided the Council considers such insurance desirable and affordable.

12 INTANGIBLE ASSETS

12.1 Definition

Items belonging to the category 'intangible' do not have a physical form and meets the identification criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Examples of intangible items are:

- Mineral exploration rights ○ Computer software (not operational software) ○ Licensing rights.
- Servitudes ○ Copy and patent rights ○ Advertising rights ○ Encroachment rights

12.2 Recognition and measurement

Intangible items are initially recorded at their cost price. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at date of acquisition.

After initial recognition, the municipality shall choose either the cost model or the revaluation model as its accounting policy.

If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortization and impairment losses.

Cost model

An intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Revaluation model

An intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

12.3 Useful life

The municipality shall assess whether the useful life or service potential of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential for the entity.

An intangible asset with a finite useful life is amortised and an intangible asset with an indefinite useful life is not.

12.4 Retirements and disposals

An intangible asset shall be de-recognised:

- on disposal; or
- when no more future economic benefits or service potential are expected from its use or disposal.

12.5 Review of useful life assessment

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

13 CAPITALISATION CRITERIA

13.1 All asset acquisitions that complies with the definition of PPE

All items of PPE acquired that comply with the asset definition must be capitalised in the FAR at cost and be provided for on the capital budget. These items will be bar-coded (when moveable).

13.2 Group Assets

Are assets of a similar nature and usually purchased as a group. Group items identified are (examples of such assets): ○ Water and electricity meters; ○ Chairs for community centers and the city hall; ○ Library books (purchased by the municipality).

All group asset purchases will not necessarily be tagged but must be capitalised on the Asset Register as a group and provided for on the capital budget.

14 CALCULATION OF CAPITALISATION COST OF ASSETS

14.1 Initial Cost

An item of property, plant and equipment that qualifies for recognition as an asset should initially be measured at its cost. The cost of an item of property, plant and equipment

comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Examples of directly attributable costs are:

- The cost of site preparation, ○ Initial delivery and handling costs, ○ Installation and assembly costs, and ○ Professional fees such as for architects and engineers that is directly applicable to the project;
- Feasibility studies will only be capitalised as cost if the capital project, for which this study was applied, will be executed. Up to the starting time of this capital project the cost of this study will be carried as work in progress. If no capital project will flow from this study the cost will be adjusted to the accumulated surplus account. ○ The initial estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent that it is recognised as a provision.
- Administrative and other general overhead costs are only a component of cost if it can be directly attributed to the acquisition or construction of the asset without which the asset could not have been brought to working condition.
- Interest on external loans that are directly attributable to the acquisition, construction or production of a qualifying asset are that interest that would have been avoided if the expenditure on the qualifying asset had not been made.

14.2 Costs incurred on existing PPE subsequent to the initial recording of the cost price

Assets are often modified during their life. There are two main types of modification:

Enhancements / Rehabilitation:

This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.

These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.

Disbursements of this nature relating to an asset, which has already been recognised in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the municipality over the remaining life of the asset.

To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:

- Modification of an item or plant to extend its useful life, including an increase in its capacity;
- Upgrading machine parts to achieve a substantial improvement in the quality of output;
- Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;
- Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;
- Improve the performance of the asset.

Maintenance / Refurbishment:

Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a municipality can expect from the asset.

Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

Thus, if the improved performance or extended life of an asset is not beyond what has originally been estimated for the asset and the expenditure is only to bring performance back to the level that is normally expected for the asset the expenditure will be considered an operating expense.

Repair and maintenance of an asset do not negate the need to depreciate it.

15 RESIDUAL VALUES

15.1 Definition

The residual value of an asset is the estimated amount that the municipality 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.

15.2 Determine residual value

Residual value will be determined on PPE where practicable in terms of the definition as stated above.

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

The residual value and an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate

16 DEPRECIATION OF ASSETS

16.1 Definition

Depreciation is the accounting process used to allocate the cost to particular accounting periods of 'using up' the service potential of the asset over its useful life.

Note: depreciation is not a method of financing the replacement of assets and is necessary even when assets are revalued every year (excluding valuation of biological assets).

16.2 Which assets must be depreciated

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

Although typically disclosed together, land and buildings are separable assets and because land normally has unlimited life it is not depreciated whilst buildings are. Heritage assets such as works of art, historical buildings and statues are also not normally depreciated. The reason is that these assets have cultural significance and as such are likely to be preserved for the benefit of future generations. It should therefore be impossible to determine their useful lives.

16.3 Determining useful lives of assets

The CFO shall assign a useful operating life to each depreciable asset recorded on the municipality's Asset Register. In determining such a useful life, the CFO shall adhere to the useful lives set out in the accounting policy of the Municipality's Annual Financial Statements.

In the case of an asset which is not listed in the accounting policy, the CFO shall determine a useful operating life, if necessary in consultation with the director of the department who shall control or use the asset in question, and shall be guided in determining such useful life either by the useful lives assigned in the accounting policy to the asset most closely comparable to the asset in question or by any appropriate GRAP standards.

The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and/or residual value accordingly. The change(s) shall

be accounted for as a change in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality shall consider the relevant indicators including considering whether there has been any change in the expected timing of disposal and/or replacement of the asset.

The amortisation period for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly.

Only the CFO may amend the useful operating life assigned to any item of property, plant and equipment, and when any material amendments occurs the CFO shall inform the Council of such amendments.

The CFO shall amend the useful operating life assigned to any asset after recommendation from the affected Department, if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life cycle will not be attained.

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

The additional depreciation expenses shall be debited to the Department's expense vote controlling or using the asset in question.

16.4 Depreciation calculation

Tangible assets

The municipality applies straight line depreciation method to best reflect the pattern of use of an asset, whereby items of property, plant and equipment are depreciated on a constant

or uniform amount over their estimated useful life. For example, if a vehicle is purchased and has an estimated useful life of 5 years, each month 1/60th of the vehicle will be depreciated.

Depreciation is an expense both calculated and debited on a monthly basis against the appropriate line item in the Department or vote in which the item of property, plant and equipment is used or consumed and should be recognised as such.

Depreciation shall be charged from the calendar month following the month in which an item of property, plant and equipment is available for use and will continue until the accumulated depreciation equals the cost or valuation amount of the respective item of property, plant and equipment or the item is disposed or written off.

When depreciation is calculated, a corresponding accumulated depreciation account is created. The accumulated depreciation account is a statement of financial position item (it is an asset provision). This account balance reflects the depreciation charge that has been expensed or capitalised since the asset was available for use. The balance on the accumulated depreciation account can never exceed the cost or valuation of the specific item of property, plant and equipment to which it relates.

Intangible assets

Amortisation period and amortisation method

Finite useful life

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease on the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the municipality. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in profit or loss

unless another Standard permits or requires it to be included in the carrying amount of another asset.

Infinite useful life

No amortisation will take place.

The amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern.

16.5 Budget requirement

Each director of a Department, acting in consultation with the CFO shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing three financial years.

In calculating this provision, the following must be taken into consideration:

Assets in commission with useful life that will span the budget period or a portion thereof:

- full 12 months per budget year unless fully depreciated before the final budget year;
 - Expected assets that will be commissioned in the current year of operations:
- full 12 months per budget year unless fully depreciated before the final budget year;
 - Expected assets that will be commissioned in the ensuing three years:
- pro rata for commission year and full 12 months for ensuing years on commission year.
- For ensuing years 1 January of each year will be regarded as date of commissioning.

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 property, plant and equipment.

16.6 Disclosure requirements

In the accounting policy notes

The depreciation methods used and the depreciation rates or useful lives.

On the Statement of Financial Position

The depreciation is part of the Net Property, Plant and Equipment amount.

On the Statement of Financial Performance.

The depreciation charged in arriving at the net surplus or deficit disclosed in the income statement.

In the notes to the statements

The gross carrying amount and the accumulated depreciation at the beginning and end of the period in respect of each class of property, plant and equipment, together with all the other movements on the asset accounts.

17 REVALUATION OF ASSETS

The municipality must adopt the cost or revaluation method at re-measuring PPE. In adopting the revaluation method, the following will be relevant:

17.1 Revaluation process

In adopting the revaluation method, a class of PPE, after initial recognition, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

17.2 Revaluation Reserve

The CFO shall also, where applicable, create a revaluation reserve for assets equal to the difference between the value as recorded in the valuation roll and the carrying value of the asset before the adjustment in question.

17.3 Depreciation of revalued property

The 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's vote controlling or using the asset in question.

The CFO 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 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.

17.4 Disclosure of revalued property

Revalued PPE shall be carried in the asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation.

18 DISPOSAL OF ASSETS

18.1 Disposal

In compliance with the principles and prescriptions of the Municipal Finance Management Act the transfer of ownership of any asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy as well as the policy on the disposal of unserviceable, obsolete or redundant assets

Every Director of a Department shall report in writing to the CFO annually on all assets controlled or used by the department concerned, which such director of Department wishes to dispose of such assets by public auction or public tender within the period up to 30 June (by completing the necessary disposal form). The CFO shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Disposal or relevant Committee prior to being reported to the Council or the Accounting Officer (by 30 April of the financial year), as the case may be, recommending the process of disposal to be adopted. The Accounting Officer may however only dispose of moveable assets with a value as determined per the Delegation to the Accounting Officer.

Any items declared obsolete or damaged will be handed in to the Auction Stores situated in Marais Industria for safekeeping. No items will be received without a completed asset disposal form, describing the status of the item and the reason for writing-off the item.

The Asset Control Section must counter sign the disposal form after the disposal committee has recommended the method of disposal. Each Department must take the necessary steps to ensure that all their obsolete or damaged assets are disposed of in the correct and approved manner. It is the responsibility of each Department to ensure that all such assets to be disposed of are delivered to and received at the Auction Stores. The receiving of assets to be disposed of, will only be done at least once monthly on a date to be determined by the Stores Section.

The Council shall ensure that the disposal of any asset takes place in compliance with Section 14 of the Municipal Finance Management Act 2004 and the Supply Chain Management Policy.

Every director of a department shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the Department in question is promptly reported in writing to the Insurance Section, the Asset Control Section, the internal auditor, and, in cases of suspected theft or malicious damage, also to the South African Police Services. Once the assets are disposed of, the CFO shall remove the relevant records from the asset register.

Transfer of 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.

In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment.

The municipality's ICT department will indicate to the Asset Section which ICT equipment are not needed to provide the minimum level of basic municipal services and is available to be donated to schools that qualify for the donation in terms of Section 14(2)(b)(iii) of the MFMA.

18.2 Other write offs

An asset even though fully depreciated, shall be written off only on the recommendation of the director of a department controlling or using the asset concerned, and with the final approval of Council.

Every director of a department shall annually report to the CFO on any assets which such director of a department wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports and shall promptly submit a recommendation to the Council on the assets to be written off.

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

18.3 Proceeds /Gain or Loss on disposal of assets

When assets are disposed of whether by disposal or written off the asset values needs to be readjusted and offset against the proceeds. If the proceeds of the disposal are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss in the cost centre of the Department concerned. If the proceeds of the disposal, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the cost centre of the Department concerned.

If this asset has an outstanding balance on the Revaluation Reserve this balance must be transferred to the Accumulated Surplus.

18.4 Disclosure of assets disposed of

The carrying value of the asset disposed of is removed from the records and will not reflect on the Statement of Financial Position as part of the balance on Property, Plant and Equipment under Non - Current assets

The gain or loss will be reflected in the Statement of Financial Performance as a gain under Revenue or as a loss under Expenditure.

19 RECOGNITION OF ASSETS IN FINANCIAL STATEMENTS

Recognition is the process of incorporating in the Statement of Financial Position or Statement of Financial Performance, an item that meets the definition and satisfies the criteria for recognition.

Assets are classified into categories as set out in section 8 (Classification of Assets) and the information for each category summarised in a table format is disclosed as:

- a note to the financial statements; ○ the net value (carrying value at year-end), for all categories is added together and reflected as a single line item in the statement of financial position.

The failure to recognise such items is not rectified by disclosure of the accounting policies used, or by notes or explanatory material.

To be able to assess the utilisation of assets all assets should be listed once the recognition criteria are met.

An asset item should be recognised in the financial statements if it meets the: ○ Probability criteria (it is probable that any future economic benefits or service potential associated with the asset will flow to the municipality);

- Measurement criteria (the asset has a cost or value that can be measured with reliability).

In many cases, cost or value must be estimated. In these circumstances the use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. When, however, a reasonable estimate cannot be made, the item is not recognised in the Statement of Financial Position or Statement of Financial Performance.

An item that possesses the essential characteristics of an asset but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary schedules. This is appropriate when knowledge of the item is considered to be relevant to the evaluation of the financial position, performance and changes in financial position of the municipality by the users of financial statements.

No asset is recognised in the Statement of Financial Position for expenditure incurred where it is improbable that economic benefit or service potential will flow to the municipality beyond the current financial year. Where the probability is low, such a transaction will result in the recognition of an expense in the Statement of Financial Performance.

Where the expenditure has been incurred in connection with an asset already recognised, consideration should be given to the probability that the expense will result in an extension of the asset's estimated useful life. If the probability is high the expense will be added to the value of

the asset in the Statement of Financial Position and written off by way of depreciation over the *remaining life* of the asset.

Expenditure incurred on an existing asset that will not extend the useful life or the functionality of the asset, will be reflected in the Statement of Financial Performance as an expense (maintenance).

Assets may be acquired for safety or environmental reasons. The acquisition of such assets, while not directly increasing the future economic benefits or service potential of any particular existing asset, may be necessary in order for the municipality to obtain the future economic benefits or service potential from its other assets. When this is the case, such acquisitions of assets qualify for recognition as assets, in that they enable future economic benefits or service potential from related assets to be derived by the municipality in excess of what it could derive if they had not been acquired. However, such assets are only recognised to the extent that the resulting carrying amount of such an asset and related assets does not exceed the total economic benefits or service potential that the municipality expects to recover from their continued use and ultimate disposal.

20 FUNDING SOURCES

Section 19(1) of the MFMA, *Capital projects*, states that:

“A municipality may spend money on a capital project only if—

- a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17 (2);*
- b) the project, including the total cost, has been approved by the council;*
- c) section 33 has been complied with, to the extent that that section may be applicable to the project; and*
- d) the sources of funding have been considered, are available and have not been committed for other purposes.”*

The sources of funding utilised to acquire assets should be in line with the funding segment on version 6.2 of the mSCOA chart and the Budget Implementation and Management Funds and Reserves and Virement Policies.

21 IMPAIRMENT LOSSES

21.1 Impairment

The carrying amount (book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

Recoverable amount is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognized as an expense immediately, unless it reverses a previous revaluation on properties in which case it should be charged to the Revaluation Reserve.

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

The following may be indicators that an asset has become impaired:

- The item has been damaged.
- The item has become technologically obsolete.
- The item remains idle for a considerable period either prior to it being put into use or during its useful life.
- Land is purchased at market value and is to be utilised for subsidized housing developments, where the subsidy is less than the purchase price.

Example:

An example of where the Municipality has suffered an impairment loss is the purchase of land for an amount of R 5,000,000. The land will be utilised for new subsidized housing developments. If at year end the expectation is that the Municipality will receive only R 1,000,000 by way of subsidies an impairment loss of R 4,000,000 needs to be recognized. The recoverable amount (R 1,000,000) is calculated as being the larger of:

Net Selling Price of the land which is the amount obtainable from the sale of the market in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

Value in use of the land which is the present value of the estimated future net cash inflows expected from the continuing use of the asset and from its disposal at the end of its useful life.

20.2 Disclosure of impairment losses

All impairment losses must reflect on the Statement of Financial Performance.

The financial statements should also disclose, in the reconciliation of the carrying amount at the beginning and end of the period for each class of property, plant and equipment recognised in the financial statements any impairment losses recognised in the statement of financial performance during the period and impairment losses reversed in the statement of financial performance during the period.

Material impairment losses need to be disclosed in the notes to the income statement as a separately disclosure item.

20.3 Reversal of an Impairment Loss

The same procedures as for the identification of impaired assets are followed if there is an indication that impairment may have been decreased or reversed. If so, the recoverable amount must be added to the carrying value of the asset.

The life cycle must be adjusted.

The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

Reversal of an impairment loss is recognised as income in the income statement.

Depreciation must be adjusted for the remaining life cycle.

22 INVESTMENT PROPERTY

22.1 Definition of Investment Property

Investment Property is defined as property (land or a building — or part of a building — or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administrative purposes; or
- Sale in the ordinary course of operations.

The following are examples of investment property:

- Land held for long-term capital appreciation rather than for disposal, eg through sale or transfer, in the short-term in the ordinary course of operations;
- Land held for a currently undetermined future use. The municipality has not determined that it will use the land as owner-occupied property; the municipality does not hold the land for short-term sale in the ordinary course of operations; the municipality has not determined that it holds the land for strategic purposes.
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis;
- A property owned by the municipality and leased out at a below market rental; ○ Property that is being constructed for future use as investment property.

The following are examples of items that are not investment property:

- Property held for disposal, either through sale or transfer, in the ordinary course of operations;
- Property being constructed or developed for third parties;
- Owner-occupied property, including
 - i. property held for future use as owner-occupied property;
 - ii. property held for future development and subsequent use as owner-occupied property;
 - iii. property occupied by employees such as housing for military, official, or similar personnel which are required as part of their employment to be located in a specific area; and
 - iv. and owner-occupied property awaiting disposal.
- Property held to provide goods and services and which also generates revenue. □
These properties are typically used to fulfil the municipality's mandated function to provide certain goods and/or services rather than for rentals or capital appreciation.
- Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

22.2 Initial measurement of Investment Property

- Investment property is measured initially at its cost (including transaction costs). Where an investment property is acquired at no cost (for example donated assets), or for a nominal cost, its cost is its fair value as at the date of acquisition.
- The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure, such as, professional fees for legal services, property transfer taxes and other transaction costs.
- The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the municipality applies the GRAP standard on accounting for PPE (GRAP 17). At the completion date, the property becomes investment property and the Standard on investment property applies (GRAP 16).
- Investment property is only recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment

property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

22.3 Measurement of Investment Property subsequent to initial measurement

Subsequent expenditure relating to an investment property that has already been recognised should be added to the carrying amount of the investment property when it is probable that future economic benefits or service potential over the total life of the investment property, in excess of the most recently assessed standard of performance of the existing investment property, will flow to the municipality. All other subsequent expenditure should be recognized as an expense in the period in which it is incurred.

For example: If a municipality purchases a building as an investment property and will incur renovation costs, the renovation cost may be capitalised if it improves the condition of the asset over its most recently assessed standard of performance. Assume that before the renovation the building can earn R5, 000 per month rental income, but after the renovation it will earn R7, 000 per month rental income. In this case the renovation cost will be added to the carrying amount of the investment property.

After initial recognition of the investment property the municipality may choose to reflect the investment property at fair value or at cost less accumulated depreciation.

The fair value of investment property is usually its market value. Fair value is measured as the most probable price reasonably obtainable in the market at the reporting date in

keeping with the fair value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. After initial recognition, a municipality that chooses the fair value model should measure all of its investment property at its fair value at each Statement of Financial Position date. A gain or loss arising from a change in the fair value of investment property should be included in net surplus/deficit for the period in which it arises. No depreciation will be calculated on this property.

Example:

The municipality purchases four houses at a cost of R200, 000 each for purposes of leasing them out to senior managers of the municipality at market related rates. The legal fees and transport duties relating to the transaction amount to R16, 000. At the end of the financial year the fair value of the houses is determined to be R 900,000. This means that the municipality will recognise a fair value gain in the Statement of Financial Performance for the year of R 84 000. (R900,000 – R 816,000).

If, after initial recognition, the municipality chooses the cost model it should measure all of its investment property using the guidelines for normal assets that is, at cost less any accumulated depreciation and accumulated impairment losses.

22.4 Transfers and disposals of investment properties

Transfers

Transfers to, or from, investment property should be made when, and only when, there is a change in use, evidenced by:

- Commencement of own-occupation, for a transfer from investment property to ownoccupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of own-occupation, for a transfer from other classified property to investment property;
- Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property; or
- End of construction or development, for a transfer from property in the course of construction or development to investment property.

For a transfer from investment property carried at fair value to own-occupied property or inventories, the property's cost for subsequent accounting under the relevant GRAP on PPE (GRAP 17) or inventories should be its fair value at the date of change in use.

If an own-occupied property becomes an investment property that will be carried at fair value, a municipality should apply GRAP 17 up to the date of change in use. The municipality should treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation under GRAP 17 by crediting a reserve.

For a transfer from inventory to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognized in net surplus/deficit for the period.

When the municipality completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognized in net surplus/deficit for the period.

Disposals

On disposal or permanent withdrawal from use of investment property:

- An investment property should be removed from the Statement of Financial Position;
- Gains or losses arising from the retirement or disposal of investment property should be determined as the difference between the net disposal proceeds and the carrying amount of the asset. For the purposes of display in the financial statements, the gain or loss should be included in the Statement of Financial Performance as an item of revenue or expense.

22.5 Budget implications relating to Investment Property

The following amounts will have to be budgeted for in the operating budget relating to investment properties:

- Gains on the disposal of investment properties that are intended to be sold during the next financial year.
- Fair value gains that are expected to be obtained on investment properties that will be held during the next financial year.
- Depreciation on investment properties that are intended to be transferred to ownoccupied properties during the next financial year.
- The effect of reduced depreciation on own-occupied properties that are intended to be transferred to investment properties during the next financial year.
- Revenue through operating lease income; and ○ Fair value gains where the intention to sell a building (inventory) is changed and the inventory is held as an investment property on which rental income and capital appreciation will be earned by the municipality in the next financial year.

22.5 Disclosure

The disclosure requirements relating to information on investment property is to be done in accordance with the requirements as per the relevant GRAP standard.

23 REPLACEMENT STRATEGY

The Accounting Officer, in consultation with the CFO and other directors of Departments shall formulate strategies and standards for the replacement of all operational property, plant and equipment. Such strategies and standards shall be incorporated in a formal policy, which shall be submitted to the Council for approval. This policy shall cover the replacement of infrastructure and operational movable vehicles and equipment.

This strategy should take into consideration:

- The nature of the asset
- The usage of the asset
- Priorities
- Available funding
- Operational and maintenance costs

- Operational skills
- Future expected developments
- Technology
- Outsourcing
- Private sector partnerships

24 ASSET RISK MANAGEMENT

24.1 Insurance

Departments are responsible for managing the risks associated with their activities.

The ultimate decision taken by a municipality relating to appropriate risk management will depend on the types of risks it is exposed to, the amount of excess it is willing to carry, budgetary constraints and all relevant factors peculiar to the municipality.

Comprehensive property, plant and equipment identification and valuation may prevent the municipality from being over or under insured. Specific supportable insurable values as defined in the insurance policy of the municipality should be reviewed regularly. In some instances, an in-house estimate of cost or insurable value may not be sufficient to substantiate the amount of a loss and, an appraisal by an independent third party may be required.

24.2 Other risk reducing methods

Department regulations or "operating policies" can also reduce risks. Department managers should investigate their operations and set operating policies as to how personnel should operate and use property, plant and equipment to minimise risk.

Examples are as follows:

- Only authorised personnel should be allowed in areas where expensive equipment is kept;

- Only authorised personnel should be allowed to operate plant or vehicles; ○ The keys for office vehicles should be controlled in a central office during the day, and employees should sign when they take the keys;
- Ensure that drivers or operators have the necessary qualifications and licenses; ○ It should be part of service conditions that employees incur personal liability if they drive while under the influence of alcohol, drugs, medication, and so forth; or if they leave the vehicle unattended and unlocked;
- Physical access to buildings, or areas within buildings, should be restricted, especially after hours.

25 MAINTENANCE OF ASSETS

25.1 Maintenance plans

Regular maintenance can prevent or minimize unplanned and expensive breakdowns. Maintenance plans must therefore be drawn up to ensure minimum maintenance standards and execution to achieve the optimum use of assets as planned.

Every director of a Department shall ensure that a maintenance plan in respect of infrastructural assets is prepared and submitted to the Council of the municipality for approval.

If so directed by the Accounting Officer, the maintenance plan shall be submitted to Council prior to any approval being granted for the acquisition or construction of new infrastructural assets.

The director of a Department controlling or using the infrastructure asset in question, shall budget for the executing of the approved plan and will annually report to Council, not later than 31 March, on the extent to which the relevant maintenance plan has been complied with, and on the likely effect which any non-compliance and / or budgetary constraints may have on the useful operating life of the asset concerned.

25.2 Deferred Maintenance

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructural asset (see 18 above), the CFO 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 has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Director of a Department controlling or using such asset shall redetermine the useful operating life of the asset in question, if necessary, in consultation with the Asset Control Section, and the latter shall recalculate the annual depreciation expenses accordingly.

25.3 General maintenance

Every director of a Department shall be directly responsible for ensuring that all assets in his/her care are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

26 GENERAL REQUIREMENTS

26.1 Tagging

Tagging means to place a control number on a piece of equipment or property. All movable assets must be tagged if at all possible. The primary purpose of tagging is to maintain a positive identification of assets.

Tagging is important to:

- Provide an accurate method of identifying individual assets
- Aid in the annual taking of physical inventory
- Control the location of all physical assets
- Aid in maintenance of assets

Fixed property and plant is not tagged; such as: ○
Buildings (record legal description in asset record) ○
Land (record legal description in asset record) ○
Infrastructural assets ○ Computer software

Consistently place asset tags in the same location on each similar type asset. If possible, the tags shall be accessible for viewing. Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will aid in taking inventory.

All moveable assets will be delivered to the municipal stores in the case of new acquisitions in order for the Asset Section to barcode the items.

Moveable assets (smaller items) in respect of insurance claims will be delivered to the Insurance/Asset Section for bar coding.

26.2 Physical verification of all movable assets

The Asset Control Section will conduct a physical verification of movable assets annually. They will require the cooperation of departmental personnel in accomplishing the physical verification task and will attempt to minimise the time demanded of them.

The designated officials in the different Departments within the Municipality must execute the functions listed below.

- Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included.
- Complete the asset movement form when transfers occur and forward the completed original form to Asset Control Section.
- Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.
- Asset Control Section must be notified by the relevant Department within 14 days of any of the following possible movements:

- Donations
- Additions / Improvements
- Departmentally manufactured items
- Loss or damage
- Transfers
- Terminations
- Land Sales

26.3 Acquisition

In making the decision to acquire an asset the following fundamental principles should be carefully considered:

- The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it.
- The asset has been budgeted for.
- The purchase is absolutely necessary as there is no alternative municipality asset that could be upgraded or adapted.
- The asset is appropriate to the task or requirement and is cost effective over the life of the asset.
- The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources.
- Space and other necessary facilities to accommodate the asset are in place and sufficient.
- The most suitable and appropriate type, brand, and model etc. has been selected.

26.4 Asset management responsibilities

- Utilisation - All assets should be used for the purposes they were acquired.
- Asset performance should be regularly reviewed to identify under-utilised and underperforming assets. The reasons for this should be critically examined and appropriate action taken.
- Disciplinary action must be taken against individuals if there is an indication of misuse of the municipality's assets.

26.5 Additions / Improvements

Depending upon the type of addition or improvement to a specific asset the responsible official in the Department must notify the Asset Control Section of the change in status. The asset master record will be amended on receipt of the required asset acquisition form from the responsible Department.

When capital expenditure is incurred for any enhancement/improvement of an asset, the Department shall complete the necessary asset acquisition form and forward it to the Asset Control Section.

When any changes to vacant land or land and buildings are affected such as subdivision, transfer to another Department, extent or holder's title, the current custodian or department must complete the relevant asset movement form and forward it to the Asset Control Section.

26.6 Termination of employee's service

At the termination of an employee's service, the applicable Department representative must complete the asset resignation form and forward the original to the Asset Control Section. This form is a statement that the inventory and assets entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary. A copy of this form is forwarded to the HR Business Section concerned or its relevant Department for further investigation in the case of missing assets.

26.7 Transfer of Assets

When a Department transfers an asset or inventory item within the Department, the asset movement form must be completed (signed by both the transferor and the transferee) and forwarded to the Asset Control Section. The copy of this form must be forwarded to the party receiving the asset or inventory item.

When a Department transfers an asset or inventory item to another Department, the transferring Department must approve the transfer. After approval has been granted the asset movement form must be completed and forwarded to the Asset Control Section.

26.8 Disposal of assets

All Departments must submit the properly completed asset disposal forms together with copies of all relevant approvals for the disposal of assets to the Asset Control Section.

CITY OF CAPE TOWN

ASSET MANAGEMENT POLICY (POLICY NUMBER 11724)

APPROVED BY MAYCO : 06 OCTOBER 2004
MC14/10/04

AMENDED BY COUNCIL : 27 FEBRUARY 2013
C26/02/13

City of Cape Town



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU

Asset Management Policy

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1. **DEFINITIONS**

In this Policy, unless the context indicates otherwise

An **asset** means a resource

- a) controlled by the City of Cape Town (the City)
- b) as a result of a past event
- c) it is probable that future economic benefits or service potential associated with the assets will flow to the City.

Property, Plant and Equipment (PPE) refers to tangible, identifiable assets that:

- a) are held for -
 - i. use in the production or supply of goods or services,
 - ii. rental, or
 - iii. administrative purposes, and
 - iv. are expected to be used for more than one year.

PPE should be classified according to the following definition groups:

- a) Infrastructure assets which are defined as assets that usually display some or all of the following characteristics:
 - i. they are part of a system or network,
 - ii. they are specialised in nature and do not have alternative uses,
 - iii. they are immovable, and
 - iv. they may be subject to constraints on disposal
 - v. examples are road networks, sewer systems, water, electricity networks etc.
- b) Community assets which are defined as assets that contributes to the community's well-being.
- c) Heritage assets which are defined as culturally significant resources.
- d) Investment properties which are defined as properties that are acquired for economic and capital gains, or held by the City under a finance lease to earn rentals.
- e) Other assets which are defined as assets utilised in the normal operations.
- f) Intangible assets which are defined as being assets without a physical substance.
- g) Biological assets are assets acquired for agricultural purposes.

'City' means the City of Cape Town, a municipality established by the City of Cape Town, Establishment Notice No. 479 of 22 September 2000, issued in terms of the Local Government:

Municipal Structures Act, 1998, or any structure or employee of the City acting in terms of delegated authority

Contributed assets means items received by the City in the form of a donation.

Classification of assets means the grouping of assets of a similar nature or functionality in an entity's operations.

Cost means the amount of cash or cash equivalents paid or the fair value of or other consideration given to acquire an asset, at the time of its acquisition or construction.

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

Impairment means a determined loss in future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

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

Depreciable amount means the cost of an asset less its anticipated residual value.

Residual value means the estimated amount that the City would obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life means the period over which an asset is expected to be in use by an entity.

Capitalization of assets means the recording of assets in the Fixed Asset Register with its historical financial cost in accordance with GRAP.

Fixed Asset Register means a register for the recording of assets in accordance with GRAP;

Departmental Inventory Register means a register for the recording of items that do not meet the GRAP definition of an asset;

Repairs and Maintenance means all actions and measures performed on existing tangible assets that are undertaken to prevent deterioration and failure and to restore the physical condition, quality of functionality and operational performance;

Investment Property means land or buildings owned by the City and/or leased by way of a finance lease to earn rental income, or for capital appreciation, or both.

General ledger means a register that contains all the financial accounts of the City.

2. ACRONYMS

PPE:	Property, plant and equipment
AMC Form:	Asset Movement Capture Form
MFMA:	Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
GRAP:	General Recognized Accounting Practices
SAP:	Systems Application and Products
DIR:	Departmental Inventory Register
SCM:	Supply Chain Management
FAR:	Fixed Asset Register

3. REGULATORY FRAMEWORK

MFMA

GRAP

SCM

4. OBJECTIVE

The objective of this policy is to establish a framework for the accounting treatment and safeguarding of PPE, including the proper recognition, measurement, disposal and retirement thereof.

5. SCOPE

This policy applies to all Property, Plant and Equipment including, but not limited to:

- a) Infrastructure assets

- b) Community assets
- c) Intangible assets
- d) Heritage assets
- e) Investment assets
- f) Biological assets

which is either contributed to the City or purchased and which meets the definition as set out above.

6. FUNCTIONAL RESPONSIBILITIES

The purpose of this section is to prescribe the responsibilities of various functionaries within the City regarding assets:

6.1 The City Manager

The City Manager or his duly delegated representative is responsible to ensure implementation and compliance with the responsibilities prescribed in section 63 of the MFMA.

6.2 The Treasury Department

The Director or his / her delegate is designated as the City's Asset Co-ordinator and is responsible for ensuring that:

- a) a Fixed Asset Register is maintained;
- b) the Fixed Asset Register is reconciled monthly with the general ledger;
- c) all departments are performing an annual asset verification. The results of this verification must be reported to the CFO, City Manager or Council;
- d) the allocation of barcode ranges is co-ordinated;
- e) all asset audit queries are resolved timeously;
- f) the municipality's assets are valued in accordance with standards of GRAP.

6.3 The Supply Chain Management Department

The Supply Chain Management Department shall:

6.3.1 with regard to acquisitions and disposals of assets:

- a) ensure that all assets are acquired in terms of the SCM Policy;
- b) ensure that a completed AMC form is presented with the assets, before accepting an obsolete or damaged asset or asset inventory item;
- c) ensure that a record is kept of all obsolete, damaged and unused assets received from departments;
- d) compile a list of the items to be auctioned in accordance with their guidelines;

- e) ensure that all obsolete or damaged assets are disposed of as per the requirements of the SCM Policy.

6.3.2 with regard to transfers from the Ndabeni Auction Centre:

- a) have the right to transfer obsolete or unused assets to any department requiring such assets;
- b) notify the Treasury Department of such transfers within 10 working days of transfers taking place;
- c) ensure that a record is kept of all transfers from Ndabeni Auction Centre to departments.

6.4 The Human Resources Management Department

The Human Resources Management Department shall ensure that no monies are paid out to staff on termination of their service prior to receiving the relevant asset resignation form signed off by the relevant directorate – refer to section 14.3 for attached form.

6.5 All Other Departments

All the Other Departments within the City of Cape Town Municipality shall:

- a) ensure that employees in their departments adhere to the approved Asset Management Policy;
- b) ensure that all assets are procured in terms of the SCM Policy;
- c) ensure that employees with delegated authority have been nominated to implement and maintain physical control over assets in their departments. Although authority has been delegated, responsibility remains with the respective Directors of the departments and overall accountability with the Executive Directors of relevant directorates;
- d) ensure that the notice of termination of service / clearance form for staff, is duly completed and submitted to the Human Resource Management Directorate – refer section 14.3 for the form;
- e) ensure that assets are properly maintained in accordance with their respective asset maintenance policy;
- f) ensure that adequate barcodes are available at all times to exercise management and control;
- g) ensure that, where applicable, all their movable assets as reflected on the Fixed Asset Register are barcoded to exercise control;
- h) ensure that the Treasury Department is notified via the AMC form within 10 working days of any changes in the status of assets under the department's control. The changes referred to here are in accordance with section 9.1;
- i) ensure that transfers between departments within directorates are administered internally;
- j) ensure that a complete asset verification of all inventory and asset items is performed annually;

- k) ensure that all obsolete, damaged and unused assets, supported by relevant asset and condemnation forms, are handed into the SCM department without delay;
- l) be responsible for maintaining and managing their own DIR;
- m) ensure that project structures are categorized and clearly identified according to the main asset classes, when created – refer to paragraph 7 and 14.1 for further details;
- n) ensure that all assets are safeguarded against loss/theft and that they are adequately insured; and
- o) ensure that location changes are made timeously and location/room information are updated regularly.

7. RECOGNITION AND CLASSIFICATION OF ASSETS

7.1 Recognition

7.1.1 An item shall be recognised as an asset if:

- a) it meets the definitions of an asset and PPE; and
- b) the cost or fair value of the item can be measured reliably.

7.1.2 PPE assets are recorded at cost which shall include the purchase price and other acquisition costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating, such as installation costs, freight charges, transportation, taxes, legal costs and duties etc.

7.1.3 For a contributed capital asset, cost is deemed to be the fair value at the date the asset is contributed.

7.1.4 Subsequent expenditure relating to PPE is capitalised if it is probable that future economic benefits or potential service delivery of the asset is enhanced in excess of the originally assessed standard of performance.

7.1.5 Assets held under finance leases are capitalised and will be reflected in the Fixed Asset Register.

7.1.6 Major spare parts / standby equipment (strategic stock) qualify as PPE when it is a significant cost in relation to the total cost of the item, and it is expected to use them during more than one year.

7.2 Recording of Assets

7.2.1 Acquisitions of items that do not meet the definition of an asset must be recorded in the DIR depending on the nature and aggregate value of the item. The departmental inventory register is the responsibility of individual Departments. (ref paragraph 6.5(l))

7.2.2 Acquisitions of items that meet the definition of an asset will be recorded and barcoded within the Fixed Asset Register.

7.2.3 Examples of items that do not qualify as assets are:

- a) Stationery
- b) Consumables
- c) Minor spare parts

7.2.4 The following information must be captured when recording assets:

- a) date of acquisition
- b) location
- c) barcode allocated
- d) asset class and type
- e) asset master record number
- f) measurement bases used
- g) depreciation methods used
- h) useful life / life expectancy
- i) depreciation charges
- j) gross carrying value; and
- k) accumulated depreciation

7.3 Investment Property

7.3.1 An item shall be recognised as investment property if it meets the definition. Investment property is recorded at cost.

7.3.2 Disclosable value measured at recognition:

- a) initially at acquisition cost plus transaction cost, or nominal value
- b) where acquired at no cost or nominal value, fair value at acquisition is deemed to be cost for disclosure;
- c) if held under a lease and classified as Investment Property, is the lower of fair value and the present value of the minimum lease payments

7.3.3 Cost value is determined according to the requirements of the GRAP standard on Investment Property.

7.3.4 Assets classified as Investment Property shall be re-defined once such assets usage changes.

8. SAFEGUARDING

Custody and Security

- a) All barcoded assets shall be tracked by physical location through the Fixed Asset Register.
- b) A physical asset verification process (stock take) shall be performed every year and be conducted simultaneously throughout the City.
- c) Overall coordination of the annual asset verification process shall rest with the Treasury Department, with each Department responsible for the verification of their own assets.

- d) It is the responsibility of Departments to report stolen or damaged property to the Treasury Department.

9. COMMUNICATION OF CHANGES

All changes must be reported to the Treasury Department within 10 working days to maintain accuracy of the fixed asset register. Accurate information in the system is dependent upon the completion by Departments of appropriate AMC forms for additions and transfers to other departments.

9.1 Data updates are required for the following changes:

- a) change in Department ownership
- b) change from location on record
- c) change in usage of equipment
- d) change in operating conditions (impairment)
- e) change in property title
- f) change in estimated useful life
- g) disposal or retirement
- h) replacement of damaged / lost barcodes

9.2 Departments must reconcile and motivate discrepancies between the fixed asset register and the physical inventory count results.

10. DISPOSALS AND RETIREMENTS

10.1 Governance

The disposal / retirement of assets are governed by sections 14 and 90 of the MFMA, where it is stated inter alia that:

- a) The City may only dispose of assets that are not providing minimum levels of basic municipal services.
- b) Assets other than those utilised to provide minimum levels of basic services may be disposed of subject to Council approval or in terms of delegated authority.

10.2 Procedures

- a) Any items declared obsolete or damaged must be accompanied by completed AMC and condemnation forms, which must be counter signed by an asset co-ordinator before being handed to the SCM Directorate for safekeeping.
- b) Departments must ensure that assets are disposed of in terms of the SCM policy.
- c) Departments are responsible for the delivery to the SCM department of all assets to be disposed of.
- d) Prior approval is necessary should the following asset classes be declared obsolete or damaged:

Vehicles and Plant – The Corporate Services (Fleet) Department must authorise the write-off based on the input of the relevant Fleet Departments.

IT Equipment – The Director: Information Services and Technology must authorise the write-off.

Radio Equipment – Only Specialised Electronic and Radio Services (SPEARS) must authorize the write-off.

- e) All assets lost, stolen or damaged must be reported to the Insurance Department (refer to Insurance Policy) and should also be reported to the SAPS and Council's internal security as per the theft / loss procedure.

11. PROCEDURE WITH REGARD TO CONTRIBUTED ASSETS

11.1 Governance

- a) The authority to endorse and approve acceptance of assets contributed to the City vests with Council as such assets have an impact on future operational costs.

- b) A report including the fair value/cost price of the contributed asset as well as the financial implications of acceptance of the contributed asset must be submitted to Council, so that acceptance of the asset can be confirmed.

11.2 Procedures

Once Council has approved the donation, the departments must:

Notify the Treasury Department of any assets contributed, by submitting the Council approved report including the cost/fair value of the contributed asset so that the asset can be recorded and capitalized at the appropriate value.

12. ANNUAL ASSET VERIFICATION PROCESS

The annual asset verification process will be co-ordinated / determined by Treasury Department: Corporate Asset Control who must inform Management of the process and timelines for the completion or the annual asset verification process two weeks prior to its commencement.

Assets not verified in the abovementioned process must be investigated and reported accordingly.

13. MAINTENANCE

13.1 Maintenance Strategy

Each department must develop a maintenance strategy that will ensure that the City's assets are maintained at an adequate operational level or standard by ensuring that all statutory, technical and operational objectives are achieved. This strategy must ensure that tangible assets under the custody and control of the relevant directors are properly maintained and repaired so that their possible maximum useful lives are realised.

13.2 Departments Responsibilities

Each Department is responsible for ensuring:

- a) That all tangible assets under their control are maintained in a good working condition. The departments must take adequate care that the working environments for the various assets are appropriate and suitable for such types of tangible assets.
- b) That their assets are not misused or used for personal use or benefit.
- c) That repair and maintenance costs incurred is reviewed and properly controlled.
- d) The development of a maintenance program according to their operating budget resources. The program must provide a schedule of the repairs and maintenance to be done. The program must also consist of planned and unplanned repairs and maintenance to be performed.

14. ASSET FORMS

14.1 Main Asset Classes

Code	Main Class	Asset Class	Description
11100	Infrastructure	Electricity	Power Station
11200	Infrastructure	Electricity	Cooling Towers
11300	Infrastructure	Electricity	Transformer Kiosk
11400	Infrastructure	Electricity	Meters
11500	Infrastructure	Electricity	Load Control Equip
11600	Infrastructure	Electricity	Switchgear Equip
11700	Infrastructure	Electricity	Reticulation
11800	Infrastructure	Electricity	Mains
11900	Infrastructure	Electricity	Infrastructure
12100	Infrastructure	Roads	Motorways
12200	Infrastructure	Roads	Other Roads
12300	Infrastructure	Roads	Traffic Islands
12400	Infrastructure	Roads	Traffic Lights
12500	Infrastructure	Roads	Street Lighting
12600	Infrastructure	Roads	Overhead Bridges
12700	Infrastructure	Roads	Storm water Drains
12800	Infrastructure	Roads	Bridges, Subways
12900	Infrastructure	Roads	Car Parks
12910	Infrastructure	Roads	Bus Terminals
13100	Infrastructure	Sewer	Sewers
13200	Infrastructure	Sewer	Outfall Sewers
13300	Infrastructure	Sewer	Purification Works
13400	Infrastructure	Sewer	Sewer Pumps
13500	Infrastructure	Sewer	Sludge Machines
14100	Infrastructure	Pedestrians	Footways
14200	Infrastructure	Pedestrians	Kerbings
14300	Infrastructure	Pedestrians	Paving
15100	Infrastructure	Security	Fencing
15200	Infrastructure	Security	Security Systems
15300	Infrastructure	Security	Access Control
16100	Infrastructure	Water	Meters
16200	Infrastructure	Water	Mains
16300	Infrastructure	Water	Rights
16400	Infrastructure	Water	Reticulation
16500	Infrastructure	Water	Reservoirs/Tanks
16600	Infrastructure	Water	Pump Stations
16700	Infrastructure	Water	Networks
16800	Infrastructure	Water	Civil Structure
17100	Infrastructure	Airport	Aprons
17200	Infrastructure	Airport	Runways
17300	Infrastructure	Airport	Taxiways
17400	Infrastructure	Airport	Radio Beacons

21100	Community	Land and Buildings	Ambulance Station
21110	Community	Land and Buildings	Nature Reserves
21120	Community	Land and Buildings	Indoor Sports
21130	Community	Land and Buildings	Libraries
21140	Community	Land and Buildings	Museum/Art Gallery

Code	Main Class	Asset Class	Description
21150	Community	Land and Buildings	Parks
21160	Community	Land and Buildings	Public Conveniences
21170	Community	Land and Buildings	Recreation Centre
21180	Community	Land and Buildings	Stadiums
21190	Community	Land and Buildings	Zoos
21200	Community	Land and Buildings	Aquariums
21300	Community	Land and Buildings	Beach Development
21400	Community	Land and Buildings	Care Centres
21500	Community	Land and Buildings	Cemeteries
21600	Community	Land and Buildings	Civic Theatres
21700	Community	Land and Buildings	Clinic / Hospital
21800	Community	Land and Buildings	Community Centre
21810	Community	Land and Buildings	Halls
21900	Community	Land and Buildings	Fire Stations
22100	Community	Recreational Facilities	Bowling Greens
22200	Community	Recreational Facilities	Tennis Courts
22300	Community	Recreational Facilities	Swimming Pools
22400	Community	Recreational Facilities	Golf Courses
22500	Community	Recreational Facilities	Jukskei Pitches
22600	Community	Recreational Facilities	Outdoor Facilities
22700	Community	Recreational Facilities	Lake and Dams
22800	Community	Recreational Facilities	Fountains
22900	Community	Recreational Facilities	Flood Lighting
31100	Other Assets	Land and Buildings	Abattoirs
31110	Other Assets	Land and Buildings	Laboratories
31120	Other Assets	Land and Buildings	Markets
31130	Other Assets	Land and Buildings	Nurseries
31140	Other Assets	Land and Buildings	Offices
31150	Other Assets	Land and Buildings	Old Age Homes
31160	Other Assets	Land and Buildings	Quarries
31170	Other Assets	Land and Buildings	Tip Sites
31180	Other Assets	Land and Buildings	Training Centres
31190	Other Assets	Land and Buildings	Transport Facility
31200	Other Assets	Land and Buildings	Asphalt Plant
31210	Other Assets	Land and Buildings	Workshop/Depots
31300	Other Assets	Land and Buildings	Cable Stations
31400	Other Assets	Land and Buildings	Caravan Parks
31500	Other Assets	Land and Buildings	Cinemas
31600	Other Assets	Land and Buildings	Compacting Stat
31700	Other Assets	Land and Buildings	Hostels
31800	Other Assets	Land and Buildings	Housing Scheme

31850	Other Assets	Land and Buildings	Fixed Asset Housing
31900	Other Assets	Land and Buildings	Kilns
32100	Other Assets	Office Equipment	Machines
32200	Other Assets	Office Equipment	Computer
32300	Other Assets	Office Equipment	Equipment
32400	Other Assets	Office Equipment	Furniture
33000	Other Assets	Furniture	Furniture
33100	Other Assets	Kitchen Equipment	Kitchen Equipment
33200	Other Assets	Communication Equip	Communication Equip
33400	Other Assets	Gym Equipment	Gym Equipment
33500	Other Assets	Fire Arms	Fire Arms
Code	Main Class	Asset Class	Description
33600	Other Assets	Lab Equipment	Lab Equipment
33800	Other Assets	Meter	Water Coupons
34100	Other Assets	Bins / Containers	Housing
34200	Other Assets	Bins / Containers	Industrial
35000	Other Assets	Emergency Equipment	Emergency Equip
37000	Other Assets	Vehicles	Accessories
37001	Other Assets	Vehicles	Rescue Vehicle
37002	Other Assets	Vehicles	Mini Buses
37003	Other Assets	Vehicles	Buses
37004	Other Assets	Vehicles	Armoured Vehicle
37005	Other Assets	Vehicles	Truck Fire Tender
37006	Other Assets	Vehicles	Truck Ref. Compactor
37100	Other Assets	Vehicles	Sedans
37200	Other Assets	Vehicles	LDV
37300	Other Assets	Vehicles	Trucks
37400	Other Assets	Vehicles	Construction
37500	Other Assets	Vehicles	Agriculture
37600	Other Assets	Vehicles	Boats
37700	Other Assets	Vehicles	Motor Cycles
37800	Other Assets	Vehicles	Trailers
38000	Other Assets	Plant and Equipment	Plant and Equip
39000	Other Assets	Medical Equipment	Medical Equipment
40000	Other Assets	Land and Buildings	Gen Improvement
41000	Other Assets	Land and Buildings	Miscellaneous
41100	Investment Prop		Office Buildings
41200	Investment Prop		Parks
41300	Investment Prop		Undeveloped Land
42000	Other Assets	Land and Buildings	General
42001	Other Assets	Land and Buildings	Public Works
44000	Other Assets	Animals	PPE Dogs
44100	Other Assets	Animals	PPE Horses
51110	Heritage Asset		Vehicles
51120	Heritage Asset		Silverware / Glassware
51130	Heritage Asset		Jewellery
51140	Heritage Asset		Miscellaneous

51150	Heritage Asset		Trees, Gardens
51160	Heritage Asset		Historical Collections
51200	Heritage Asset		Photographs
51300	Heritage Asset		Paintings
51400	Heritage Asset		Sculptures
51500	Heritage Asset		Tapestries
51600	Heritage Asset		Regalia/Robes/Mace
51700	Heritage Asset		Illuminated Addresses
51800	Heritage Asset		Documents, Books
51900	Heritage Asset		Medals/Plaques/Coins
61000	*AUC	Infrastructure	
62000	*AUC	Community	
63000	*AUC	Other	
64000	*AUC	Investment Property	
65000	*AUC	Heritage Assets	
66000	*AUC	Housing Stock	

AUC – assets under construction

7.2

ASSET MOVEMENT CAPTURE FORM

SECTION A

GENERAL INFORMATION : <i>(Always to be completed)</i>		ACP9918
1 Type of movement to be recorded <i>(indicate with X)</i>		
New Asset/ Purchase		Asset Obsolete / Damaged / Retirements
New Asset/ Donation		Asset to be Written-Off due to Loss (Burglary/Theft)
Transfers		Asset Transfer : Unused Item to Stores

SECTION B

2 Basic Asset Data <i>(When a new asset is purchased the Asset Control Section will allocate an asset number on receipt of this form)</i>			
SAP Asset Number		Cost Centre Number	
Bar Code Number Room		Asset Type	
Bar Code Number Item		Asset Class	
Description of Asset			Quantity
Serial Number		Registration number	

SECTION C

INFORMATION PER TRANSACTION TYPE <i>(To be completed according to type of transaction)</i>			
1 Purchases / Donations <i>(This section of the form to be completed by the Department who acquires the item)</i>			
Purchase Order No		WBS Element No.	Date of Purchase
Location of Asset		Person responsible	
2 Transfer! <i>(The transferring Department / Cost Centre must ensure that this section of the form is completed)</i>			
Old Location of Asset		Old Cost Centre Number of Asset	
Condition of Asset when transferred		Signed off by _____ Signed _____ Date _____ Telephone _____	
New Location of Asset		New Cost Centre Number of Asset	
New Room Number		Signed off by _____ Signed _____ Date _____ Telephone _____	
Condition of asset when received			
3 Obsolete / Retirements / Loss or Damage			
<i>All items which are declared obsolete or to be written-off must be handed in at Stores Department. Refer section C and D of this form.</i>			
4 VAT ADJUSTMENTS <i>(Indicate with an X in the applicable block)</i>			
Transfers inter departmental	Vat adjustment made	Yes	No
Transfers between departments	Vat adjustment made	Yes	No
Asset Number/Bar Code Number			Date
Transferring Cost Centre			
Receiving Cost Centre		Signed off by _____ Signed _____ Date _____	

SECTION D

AUTHORISATION OF TRANSACTION <i>(All transaction always to be authorised by Senior Management)</i>			
Name	Signature	Title	Date
THE STORES DEPARTMENT <i>(To be completed by the Stores Dept. when item is handed in)</i>			
Condition of Asset when handed in		Receipt Confirmed by	Signed _____ Date _____

SECTION E

<i>Received by Asset Control</i>		<i>Processed by Asset Control</i>	
Date	Signature	Date	Signature

CITY OF CAPE TOWN

14.3 TERMINATION OF SERVICE: CONFIRMATION OF ASSETS

Important : This form must be completed prior to the termination of service of every employee, to ensure that all assets entrusted to such employee are verified

1. EMPLOYEE DETAILS

EMPLOYEE NO

Surname		Name	
Directorate		Telephone No	
Line Manager		Last Working Day	

2. LINE MANAGER / DIRECTOR / EXECUTIVE DIRECTOR

I, _____ duly delegated as the responsible person in this Department do herewith confirm that all assets entrusted to the abovementioned employee were checked on by me in the presence of the said employee and the Asset Control Official, with the following outcome:

Discrepancies (attached list)		No Discrepancies	
-------------------------------	--	------------------	--

Signature	Date
------------------	-------------

3. EMPLOYEE

I, _____ do herewith confirm that all assets entrusted to me within the scope of my employment with the City of Cape Town were checked on in my presence by my line manager / director / executive director and asset control official with the following outcome

Discrepancies (attach list)		No Discrepancies	
-----------------------------	--	------------------	--

Signature	Date
------------------	-------------

4. ASSET CONTROL

Name	
Signature	Date



Asset Management Policy

Document no: 00/2014

Revision: Version 01

Date: January 2014

Notice

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Approval

The signatories hereof, being duly authorised thereto, by their signatures hereto authorise the execution of the work detailed herein, or confirm their acceptance of the contents hereof and authorise the implementation/adoption thereof, as the case may be, for and on behalf of the parties represented by them.

References

1. The Constitution of the Republic of South Africa, 1996, (Act No. 108 of 1996)
2. Municipal Structures Act, 1998, (Act 117 of 1998)
3. Municipal Systems Act, 2000, (Act No. 32 of 2000)

Asset Management Policy

4. Municipal Finance Management Act, 2003, (Act 56 of 2003)
5. Other applicable National Treasury pronouncements
6. South African Standards of Generally Recognised Accounting Principles

1. Introduction

This policy is intended to define and provide a framework for the Asset Management of the City of Tshwane Metropolitan Municipality (CoT) within the requirements of section 60, 62, 63, 78 and 79 of the Municipal Finance Management Act (MFMA), Treasury Regulations (TR), and South African Standards of Generally Recognised Accounting Practices (GRAP) and to promote good financial management practices.

It is the responsibility of the Accounting Officer to maintain a system of internal control over assets, including an accurate, valid and complete asset register and appropriate accounting principles applied for all assets.

This policy is applicable to all offices and officials within the CoT who utilise and/or manage any type of assets.

2. Objectives

The objectives are stipulated as follows:

- (a) To provide proper controls and management systems that will ensure effective, efficient, economical and transparent use of the CoT's assets.
- (b) To establish controls that must ensure proper management of risks associated with the ownership and safeguarding of the CoT's assets.
- (c) To foster a spirit of custodianship, responsibility, accountability and optimisation of the CoT's assets.
- (d) To improve sustainability and lower the risk of failure of the CoT's assets.

3. Definitions

Accounting Officer in relation to a municipality means the municipal official referred to in section 60 of the MFMA and includes a person acting as the accounting officer.

Asset Management Policy

Accounting Standards Board (ASB) means the board established in terms of section 87 of the Public Finance Management Act (PFMA). The section refers to the function of the board, which is to establish standards of GRAP as required by the Constitution of the Republic of South Africa.

Asset custodian 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 municipality's standards, policies, procedures and relevant guidelines.

Asset life-cycle is the cycle of activities that an asset goes through – including planning, design, initial acquisition and/or construction, cycles of operation and maintenance and capital renewal and finally disposal.

Asset management is a broad function and includes a structured process of decision-making, planning and control over the acquisition, use, 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-cycle.

Asset register is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory and reporting requirements.

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. Assets referred to in this policy exclude financial assets as defined in GRAP 104: Financial instruments.

Capital assets are all assets with an expected life-cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network, furniture, motor vehicles, computer equipment, etc), intangible assets, heritage assets and investment property.

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

Asset Management Policy

Cash-generating assets are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit oriented municipality.

City Manager is the person defined as the Accounting Officer of a municipality.

Class of property, plant and equipment means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Component is a part of an asset with a significantly different useful life and 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.

Cost (Capital amount) comprises of:

- a) the purchase price and
- b) any direct attributable costs necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, plus
- c) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the municipality should capitalise the cost of the asset together with VAT).

Note: The amount to be capitalised (cost associated with an asset) should meet one or all of the above requirements and in cases of uncertainty the GCFO must always be consulted.

Current replacement cost is the cost of replacing the asset with a modern asset of equivalent capacity.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Asset Management Policy

Depreciated replacement cost is a measure of the current value of an asset based on its current replacement cost less an allowance for deterioration of condition to date (based on the fraction of remaining useful life/expected useful life).

Depreciation is defined as the systematic allocation of the depreciable amount of an asset over its useful life. (GRAP 17)

Direct attributable costs include the following:

- a) cost of employee benefits arising directly from the construction or acquisition of the item; b) costs of site preparation;
- c) initial delivery and handling;
- d) installation and assembly costs, cost of testing whether the asset is functioning properly, after deducting the net proceeds from selling any item produced while bringing the asset to that location and condition;
- e) commissioning (cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling any item produced while bringing the asset to its current condition and location);
- f) professional fees (for example associated with design fees, supervision, and environmental impact assessments) (in the case of all asset classes);
- g) significant dismantling or rehabilitation cost;
- h) transfer taxes (in the case of all asset classes); and
- i) required insurance (applicable to assets under construction).

Economic life is either:

- a) The period over which an asset is expected to yield economic benefits or service potential to one or more users, or
- b) The number of production or similar units expected to be obtained from the asset by one or more users.

Enhancement is an improvement or augmentation of an existing asset (including separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality.

FAR is a Fixed Asset Register

Asset Management Policy

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

Generally Recognised Accounting Practice (GRAP) refers to the Standards approved by the ASB for application by municipalities and municipal entities.

GCFO is a person who holds the position of Group Chief Financial Officer who is directly accountable to the accounting officer. The general responsibility is to assist the accounting officer in discharging his/her duties. These duties relate to the effective financial management of the municipality including the exercise of sound budgeting and budgetary control practices; the operation of internal controls and timely production of financial reports.

Heritage Assets are 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. The municipality is not required to recognise assets as heritage assets where they would otherwise meet the criteria for PPE (for example a historic building being used as office accommodation).

Infrastructure means assets that usually display some or all of the following characteristics:

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

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

Impairment of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Impairment indicators are those factors to be considered to be present or not at least at the end of each reporting period resulting in asset impairment. In assessing whether there is any indication

Asset Management Policy

that a cash-generating asset is to be impaired, the municipality shall consider as a minimum the following indicators:

- a) External sources of information:
 - a. During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.;
 - b. Significant changes with an adverse effect on the municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the municipality operates or in the market to which an asset is dedicated, and
 - c. Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

- b) Internal sources of information:
 - a. evidence of physical damage;
 - b. evidence of obsolescence;
 - c. significant changes with an adverse effect on the municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected to be used, including an asset becoming idle, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
 - d. a halt in construction could indicate an impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted;
 - e. cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
 - f. the actual net cash flow or operating profit or loss flowing from an asset are significantly worse than those budgeted;
 - g. a significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss, flowing from the asset; or
 - h. operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

- c) Other indications, such as loss of market value.

Asset Management Policy

In assessing whether there is any indication that a non-cash-generating asset is to be impaired, the municipality shall consider as a minimum the following indicators:

a) External sources of information:

- a. Cessation, or near cessation, of the demand or need for services provided by the asset;
- b. Significant changes with an adverse effect on the municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the municipality operates or in the market to which an asset is dedicated.

b) Internal sources of information:

- a. evidence of physical damage;
- b. evidence of obsolescence;
- c. significant changes with an adverse effect on the municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected to be used, including an asset becoming idle, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- d. a halt in construction could indicate an impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted
- e. cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- f. the actual net cash flow or operating profit or loss flowing from an asset are significantly worse than those budgeted;
- g. a significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss, flowing from the asset; or
- h. operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

c) Other indications, such as loss of market value.

Maintenance to an asset will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved.

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Note: The amount to be capitalised (cost associated with an asset) should meet one or all of the above requirements and in cases of uncertainty the GCFO must always be consulted.

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The size or nature of the information item, or a combination of both, could be the determining factor.

Minor asset is an asset other than a capital asset, which is fully depreciated in the year of acquisition. Minor assets need to be managed and safeguarded and recorded in an asset register or inventory register.

Modern equivalent asset is an asset that replicates the existing asset with the most costeffective asset performing the same level of service. This includes improvements in technology that may change the nature, life and value of an asset.

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

Municipal Service has the meaning assigned to it in section 1 of the Municipal Systems Act.

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

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

Non-cash-generating assets are those assets (or group of assets) that are not held with the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit.

Asset Management Policy

Property, plant and equipment are tangible items that:

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

Recognition is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an element (of financial statements) and satisfies the criteria for recognition, namely:

- a) It is probable that any future economic benefit or service potential associated with the item will flow to or from the entity and
- b) The item has a cost or value that can be measured reliably.

Recoverable amount is the higher of a cash-generating asset's or unit's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

Remaining useful life is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness.

Renewal is the work required to replace/enhance/rehabilitate an asset. Expenses on renewal works are considered capital expenditure.

Reproduction Cost is the cost of reproducing the asset in its present physical form (substantially the same materials and design).

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.

SAP (Systems, Applications and Products in Data Processing) is the CoT financial operating system.

Asset Management Policy

SED is a Strategic Executive Director.

Senior Manager is a manager referred to in section 56 of the Municipal Systems Act (MSA) being someone reporting directly to the city manager.

Service potential is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life.

Standard Data Dictionary is an agreed upon list of standard asset / component descriptions guiding the level of componentisation of assets between the infrastructure departments and Financial Reporting and Assets departments.

Useful life is:

- a) the period over which an asset is expected to be available for use by the municipality, or
- b) the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

VAT is value added tax

4. Relationship with other Policies

This policy, once effective, will replace the pre-existing Asset Management Policy.

This policy needs to be read in conjunction with other relevant policies of the municipality, including the following adopted documents:

4.1. SCM policy

Regulating all processes and procedures relating to acquisitions.

4.2. Budget policy

Asset Management Policy

The processes to be followed during the budget process as well as pre-determined prioritisation methodology,

4.3. Accounting Policy

Governed by the Accounting standards, the accounting policy determines the basis recognition, measurement and recording of all transactions.

4.4. Risk Management Policy

The policy promotes effective and efficient asset utilisation.

4.5. Insurance Policy (Lost control Policy)

The process to be followed with the insurance claims of lost, stolen or damaged assets.

4.6. Other Policies

Any other applicable policies in the asset management environment.

5. Functional Responsibilities

Within this section the responsibilities for the various functionaries within CoT with regards to assets: are prescribed as follows:

5.1. The City Manager

The City Manager or his duly delegated representative is responsible to ensure implementation and compliance with the responsibilities prescribed in section 63 of the MFMA.

5.2. The Financial Reporting and Asset Division

The Executive Director or his / her delegate is designated as the City's Asset Co-ordinator and is responsible for ensuring that:

- (a) a Fixed Asset Register is maintained;
- (b) the Fixed Asset Register is reconciled monthly with the general ledger;
- (c) all departments are performing an annual asset verification. The results of this verification must be reported to the GCFO, City Manager or Council;
- (d) the allocation of barcode ranges is co-ordinated;
- (e) all asset audit queries are resolved timeously, and
- (f) the municipality's assets are valued in accordance with standards of GRAP.

Asset Management Policy

5.3. The Supply Chain Management Division

The Supply Chain Management Division must:

5.3.1. with regard to acquisitions and disposals of assets:

- (a) ensure that all assets are acquired in terms of the SCM Policy;
- (b) ensure that a completed Asset Management Condition (AMC) form is presented with the assets, before accepting an obsolete or damaged asset or asset inventory item;
- (c) ensure that a record is kept of all obsolete, damaged and unused assets received from departments;
- (d) compile a list of the items to be auctioned in accordance with their guidelines;
- (e) ensure that all obsolete or damaged assets are disposed of as per the requirements of the SCM Policy.

5.3.2. with regard to transfers from the Auction Yard:

- (a) have the right to transfer obsolete or unused assets to any department requiring such assets;
- (b) notify the Financial Reporting and Asset Division of such transfers within 10 working days of transfers taking place;
- (c) ensure that a record is kept of all transfers from Auction Yard to departments.

5.4. The Corporate and Shared Services

The ED: shall ensure that no monies are paid out to staff on termination of their service prior to receiving the relevant asset resignation form signed off by the relevant directorate.

5.5. All Other Departments

Departments within the CoT shall:

- (a) ensure that employees in their departments adhere to the approved Asset Management Policy;
- (b) ensure that all assets are procured in terms of the SCM Policy;
- (c) ensure that employees with delegated authority have been nominated to implement and maintain physical control over assets in their departments. Although authority has been delegated, responsibility remains with the respective Executive Directors of the divisions and overall accountability with the Strategic Executive Directors of relevant departments;

Asset Management Policy

- (d) ensure that the notice of termination of service / clearance form for staff, is duly completed and submitted to the Which Division? for the form;
- (e) ensure that assets are properly maintained in accordance with their respective asset maintenance policy;
- (f) ensure that adequate barcodes are available at all times to exercise management and control;
- (g) ensure that, where applicable, all their movable assets as reflected on the Fixed Asset Register are barcoded to exercise control;
- (h) ensure that the Financial Reporting and Assets Division is notified via the AMC form within 10 working days of any changes in the status of assets under the department's control;
- (i) ensure that transfers between divisions within departments are administered internally;
- (j) ensure that a complete asset verification of all inventory and asset items is performed annually;
- (k) ensure that all obsolete, damaged and unused assets, supported by relevant asset and condemnation forms, are handed into the SCM department without delay;
- (l) be responsible for maintaining and managing their own Departments;
- (m) ensure that project structures are categorized and clearly identified according to the main asset classes, when created;
- (n) ensure that all assets are safeguarded against loss/theft and that they are adequately insured; and
- (o) ensure that location changes are made timeously and location/room information are updated regularly.

6. Classes and Categories of Assets

- 6.1. The CoT has numerous types of assets. The classes and categories of assets will be disclosed in the annual financial statements.
- 6.2. These classes and categories of assets must be in line with the Generally Recognised Accounting Practice which includes Property Plant and Equipment (GRAP 17).
- 6.3. The classification of the assets will be determined by the Director: Asset Compliance and Control Unit in conjunction with the relevant user department based on available information.

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- 6.4. Any disputes on the classification of assets must be referred to the Executive Director (ED): Financial Reporting and Assets.
- 6.5. Should this not be resolved, the GCFO will have the final authority on the classification of CoT assets.

7. Data Dictionary

- 7.1. The CoT maintains a Standard Data Dictionary for describing and classifying assets on the SAP FAR.
- 7.2. All departments must use the Standard Data Dictionary when describing assets to be recorded on the SAP FAR.
- 7.3. Department must review the Standard Data Dictionary on a monthly basis and update accordingly (Appendix A).
- 7.4. Updates should be discussed and agreed with the Director: Asset Compliance and Control unit.
- 7.5. Any disputes in terms of the definitions should be referred to the ED: Financial Reporting and Assets.
- 7.6. Should this not be resolved, the GCFO will have the final decision in terms of the matter at hand.

8. Assets and Liability Forum

- 8.1. The CoT shall establish an Assets and Liabilities Forum.
- 8.2. The Asset Forum shall be chaired by the Deputy City Manager Infrastructure / Group Chief Financial Officer and consist of the following members:
 - (a) Deputy City Manager Infrastructure;
 - (b) Chief Financial Officer;
 - (c) Strategic Executive Directors from the Infrastructure Departments which includes Electricity; Roads and Storm Water; Water and Sanitation; Housing Departments;
 - (d) Executive Directors from the all CoT departments intervention, and (e) Director: Asset Compliance and Control Unit.
- 8.3. The Asset Compliance and Control Unit will be the secretariat to the Assets and Liabilities Forum.

Asset Management Policy

- 8.4. The Assets and Liabilities Forum will be responsible for the management of all of all assets within the CoT.
- 8.5. The Assets and Liabilities Forum will report to the City Manager on a monthly basis.
- 8.6. Terms of reference to govern its mandate.

9. Consolidated Municipal Asset Management Plan

- 9.1. The City Manager must develop and implement a Consolidated Municipal Asset Management Plan (CMAMP) for the CoT.
- 9.2. The CMAMP must:
 - (a) Address all capital assets requirements of the CoT;
 - (b) The CMAMP must be derived from the IDP; and (c) The CMAMP must be fully funded.
- 9.3. The CMAMP must include the following:
 - (a) The Consolidated Asset Acquisition Plan (CAAP); (b) The Consolidated Asset Maintenance Plan (CAMP); and (c) The Consolidated Asset Disposal Plan (CADP).
- 9.4. The CMAMP must be prepared by the GCFO through the Asset Compliance and Control Unit and submitted to the City Manager for review. All departments are to provide their DAMP's to enable the GCFO to prepare the CMAMP.
- 9.5. The City Manager must submit the CMAMP to Council for approval with the budget submission.
- 9.6. Where departments acquire assets that are not funded in terms of the SDBIP, departments must through their DCM's and or SED's submit detailed motivation to the City Manager for approval of these acquisitions.
- 9.7. The City Manager must ensure that the SDBIP and the IDP is updated with acquisitions not originally included in the documents.
- 9.8. The City Manager must submit the updated IDP and SDBIP to council for approval.

10. Routing for approval on Policy Reporting

10.1. The Consolidated Municipal Acquisition Plan must be routed as follows:

Official/ Forum / Committee	Action
ED: Financial Reporting and Assets	Review and recommend for approval
GCFO	Review and recommend for approval
Assets and Liabilities Forum	Review and recommend for approval
City Manager	Review and approve
MayCo	Review and approve
Council	Review and approve

10.2. The above process must also be followed for all reports referenced to in this policy that are prepared either annually or monthly.

11. Departmental Asset Management Plan

11.1. Each department must compile a Departmental Asset Management Plan (DAMP).

11.2. DAMP's must consist of the following documents:

- (a) Departmental Asset Acquisition Plan; (b) Departmental Asset Maintenance Plan; and
- (c) Departmental Consolidated Asset Disposal Plan.

11.3. DCM's and SEDS's must ensure that their DAMP's that are:

- (a) Aligned to the IDP;
- (b) Aligned to the SDBIP; (c) A multi-year document; and (d) Fully funded.

11.4. All departments must report on progress on their Departmental Asset Management Plans (DAMP's) on a monthly basis. Progress reports on DAMP's must include the following:

- (a) Variances on the departmental plans;
- (b) Reasons for variances;
- (c) Any other information that may be required, as determined by the Director Asset Compliance and Control Unit.

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- 11.5. DAMP's must be reviewed by the respective DCM's and SED's.
- 11.6. Routing for the approval of the amendments on the DAMP must be conducted as per Section 10 of this policy.
- 11.7. Monthly progress reports must be forwarded to the Asset Compliance and Control Unit by the 3rd working day of each month.
- 11.8. The Asset Compliance and Control Unit must, by the 7th working day of each month: (a) Consolidate all DAMPs into the CMAMP, and (b) Reconcile and update the SAP FAR.
 - (c) Reconciling differences must be investigated and resolved.
- 11.9. The Asset Compliance and Control Unit must at each monthly Assets and Liabilities Forum report on any outstanding reports.

12. Asset Acquisition

- 12.1. Annually, departments must prepare a Departmental Asset Acquisition Plan (DAP), which forms part of the DAMP.
- 12.2. The DAP must include all assets that will be:
 - (a) The type of asset;
 - (b) Reference to the IDP where the asset was being procured;
 - (c) Reference to the Supply Chain Management Acquisition Plan;
 - (d) The nature of the asset;
 - (e) The purpose of the asset;
 - (f) The funding source for the asset (example: financed, own funding, leased etc);
 - (g) The timing of acquisition of such assets;
 - (h) Maintenance costs of such assets;
 - (i) The expected life-cycle of the asset;
 - (j) The expected date the asset will be brought into use by CoT, and (k) The timing of acquisition of such assets.
- 12.3. The acquisition of all assets must be made in terms of the approved Delegation of Authority and Supply Chain Management Policy. The following must be conducted prior to the acquiring of an asset:
 - (a) A cost benefit analysis must be conducted by the relevant department when determining which option should be used for the acquisition or alternatives to asset

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- ownership taking into account the period for which the asset is required for use by the municipality.
- (b) Prior to the input into the acquiring assets, the relevant department must investigate opportunities for the redeployment of assets from other CoT departments as opposed to the purchasing of new assets.
- 12.4. DCM's and SED's must review and approve the DAP for each department.
- 12.5. Departments must, on a monthly basis, report progress of DAP's to their respective DCM's and SED's. This report must address at least the following:
- (a) Planned Acquisitions vs Actual Acquisitions;
 - (b) Planned Costs vs Actual Costs;
 - (c) Unplanned acquisitions and reasons for this as well as cost implications thereof;
 - (d) Other matters that would impact on the DAP going forward; and
 - (e) Any other matters that might be requested from the Asset Compliance and Control Unit.
- 12.6. DCM's and SEDS's must review and approve the progress on the DAP for each department.
- 12.7. Routing for the approval of the amendments on the DAP must be conducted as per Section 10 of this policy.
- 12.8. The DAP progress report must be presented by the relevant department at the Assets and Liabilities Forum.

13. Maintenance and Repairs

- 13.1. To minimise disruption to the users of the asset, optimise asset useful lives and effectively utilise maintenance resources, CoT 's approach to asset maintenance and repairs must be:
- (a) A planned and co-ordinated approach;
 - (b) Includes preventative and corrective approach, and
 - (c) Multi-year in focus, which is, reflecting the lifespan of the assets as opposed to the IDP period.
- 13.2. Annually, departments must prepare a Departmental Asset Maintenance Plan (DMP), which forms part of the DAMP.
- 13.3. The DMP must include:
- (a) All assets under the control of the department, which should include but is not limited to infrastructure assets, moveable assets, heritage assets etc.;
 - (b) Definition of maintenance standards;

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- (c) Allowance for the rectification of existing defects;
 - (d) Description of the work to be performed;
 - (e) A forecast of the required maintenance over the life of the asset;
 - (f) A forecast of the major repairs;
 - (g) Planned technical maintenance as specified by manufacturer; and
 - (h) A forecast of preventative maintenance expenditure over the life of the asset.
- 13.4. The DCM's and SED's must review and approve DMP for each department.
- 13.5. The repairs and maintenance of all assets must be made in terms of the approved Delegation of Authority and Supply Chain Management Policy.
- 13.6. Departments must on a monthly basis report to the respective SED's and DCM's progress on the Departmental Maintenance Plan. This report must include the following:
- (a) Planned Maintenance vs Actual Maintenance;
 - (b) Planned costs vs Actual Costs;
 - (c) Unplanned Maintenance/ Emergency Maintenance and cost implications thereof;
 - (d) Other matters that would impact on the Departmental Maintenance Plan;
 - (e) Reasons for not delivering on planned maintenance, and
 - (f) Actions to be taken where maintenance has not occurred.
- 13.7. The DCM's and SED's must review and approve progress on DAMP's for each department.
- 13.8. Routing for the approval of the amendments on the DMP must be conducted as per Section 10 of this policy.
- 13.9. The DMP progress report must be presented by the relevant department at the Asset Forum.

14. Impairment of Assets

- 14.1. CoT adopted the principle that all CoT assets are held for service delivery except where specifically otherwise informed. Refer to Appendix D for detail on Cash vs. Non-cash Generating Asset Position Paper.
- 14.2. The Accounting Officer assisting senior managers must ensure that the impairment test must be conducted, by means of impairment indicators, as soon as one of the indicators occurs or at least at the end of each reporting period in accordance with GRAP 21 or 26.
- The three main classes of indicators to be considered are:
- (a) External sources of information;
 - (b) Internal sources of information, and
 - (c) Any other indicators assisting in the decision process.

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- 14.3. With the consideration of the impairment of projects (assets) under construction it should be considered whether construction has: (a) simply been delayed or postponed;
- (b) whether the intention to resume construction in the near future or,
 - (c) whether the construction work will not be completed in the foreseeable future.

Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

15. Disposal of Assets

- 15.1. The Accounting Officer must ensure that capital assets needed to provide the minimum level of basic municipal services are not permanently sold.
- 15.2. Disposal decisions must be made upon an analysis of disposal options designed to achieve the best possible return for the municipality and must be made in accordance with the provisions of the MFMA.
- 15.3. Annually, departments must prepare a Departmental Asset Disposal Plan (DDP) which forms part of the DAMP.
- 15.4. The DDP must include:
- (a) All assets that will be disposed in the year;
 - (b) The proposed timing of such disposal;
 - (c) Confirmation of no use for other departments;
 - (d) Reasons for disposal of assets;
 - (e) Impact of such disposal on the levels of basic services (current and future), and (f) The capital needs of the CoT.
- 15.5. The DCM's and SED's must review and approve DPP for each department.
- 15.6. Departments must on a monthly basis report to the respective SED's and DCM's progress on the Departmental Asset Disposal Plan. This report must include the following:
- (a) Planned Disposal vs. Actual Disposal;
 - (b) Reasons for variances, and
 - (c) Confirmation of no use for other departments.
- 15.7. The DCM's and SED's must review and approve progress on DDP's for each department.
- 15.8. Departments must consolidate their DDP's into their DAMP and submit the DAMP to the Director Asset Management by the third working day of each month.
- 15.9. The Director: Asset Compliance and Control Unit must:
- (a) Prepare a monthly report of all disposals;

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- (b) Ensure that the date, amount of proceeds received and reason for disposal must be included in the asset register;
 - (c) Update the FAR with the disposal, and
 - (d) Update the relevant General Ledger account accordingly.
- 15.10. In disposing of an asset the following must occur:
- (a) The Supply Chain Management Policy of the CoT must be adhered to in terms of the disposal of the assets;
 - (b) The GCFO must ensure that a Disposals Committee is established;
 - (c) Authorisation for the disposal of assets must be made in accordance with the Delegation of Authority and reviewed by the Disposals Committee;
 - (d) Disposal of assets must be approved by a council resolution, and
 - (e) A physical verification of the asset must be performed by the relevant departmental asset controller prior to the disposal of the asset.
- 15.11. Assets identified for disposal must be transferred to the Asset Disposal Unit. The Asset Disposal Unit must:
- (a) Confirm receipt of assets transferred to the Asset Disposal Unit;
 - (b) Implement a proper system of internal controls over disposals to avoid the risk of theft and misappropriation of these assets while waiting for disposal processes to be initiated;
 - (c) Reconcile the asset to the SAP FAR;
 - (d) Confirm the condition of the asset;
 - (e) Provide the Director Asset Compliance and Control Unit with a schedule of all assets disposed which should include asset numbers, description as well as selling price of the asset, and
 - (f) At financial year-end, provide the Director Asset Compliance and Control Unit with a schedule of all assets with proposed selling price that are awaiting disposal.
- 15.12. Routing for the approval of the amendments on the DDP must be conducted as per Section 10 of this policy.

16. Safeguarding of Assets

- 16.1. All senior managers (SEDs/DCMs) must ensure that there are proper controls and safeguards to ensure assets are protected against improper use, loss, theft, malicious damage or accidental damage.

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- 16.2. The responsibility for the safeguarding of assets vests with each official in every department to whom assets have been allocated.
- 16.3. All assets used by employees must be returned to the Asset Compliance and Control Unit upon termination of employment.

17. Receiving of Assets - moveable assets

- 17.1. The official within the respective department responsible for the receipt of the asset and the user or a person nominated by the user must verify the quality and correctness of the asset before accepting delivery.
- 17.2. DCM's and SED's must ensure that assets allocated to their departments are correctly recorded in the asset register.
- 17.3. Actual orders generated and the "Awaiting Delivery File", must be reconciled on a monthly basis, by the departmental asset controllers.
- 17.4. Department Asset Controllers must ensure that:
 - (a) All new assets are given unique identification within two working days after receipt of the asset;
 - (b) Schedules of new assets, with their unique identification and related invoice and delivery note, are submitted to the Director: Asset Compliance and Control Unit by the third working day of each month;
 - (c) All procedures followed as per the standard process on receipt of new assets.
- 17.5. The Asset Compliance and Control Unit must at each monthly Assets and Liabilities Forum report on any outstanding information / reports.

18. Identification of Assets

- 18.1. All assets must have unique identification asset numbers in all departments.
- 18.2. Unique identification asset numbers, would include, but is not limited to:
 - (a) Bar code labels;
 - (b) Vehicle Registration Numbers or Vehicle Identification Numbers;
 - (c) GPS numbers; (d) Physical address, and (e) Section numbers.
- 18.3. The GCFO must ensure that all assets have unique identification numbers:

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- (a) Where unique identification asset numbers cannot be clearly determined, this must be agreed upon by finance and the user department, and
 - (b) The GCFO will have the final input on the description of the unique asset number.
- 18.4. Department Asset Controllers must ensure that:
- (a) All assets have unique identification numbers at all times, and
 - (b) The ED of the applicable Department must within two days after completion be notified of all assets that have been marked.
- 18.5. Asset custodians must ensure that:
- (a) Assets allocated to them have unique identification numbers, and
 - (b) The Department's Asset Controller is notified of all assets that do not have unique identification within two working days of being made aware.
- 18.6. The asset custodian shall:
- (a) Not sign for assets allocated to them which are without the unique identifier visible on the assets, and
 - (b) Report such incidents directly to the ED of the applicable Department.
- 18.7. The Director: Asset Compliance and Control Unit must reconcile the bar codes in stock, to the bar codes issued per department, on a monthly basis:
- (a) Any variances must be investigated and resolved, and
 - (b) Report to the ED: Financial Reporting and Assets of any changes.

19. Verification of Assets

- 19.1. All assets must be verified at least once during a financial year.
- 19.2. The Director: Asset Compliance and Control must compile a Risk Based Asset Verification Plan.
- 19.3. The Director: Asset Compliance and Control must from time to time conduct ad-hoc asset verifications that is not included as part of the verification plan. This could be done either by the Asset Verification Unit and/or in conjunction with Internal Audit.
- 19.4. DCM's and SED's must ensure that Departmental Asset Controllers conduct the asset verification as determined by the Asset Verification Plan.
- 19.5. DCM's and SED's must ensure that results of the verification exercise are reviewed and approved by them before being submitted to the Director: Asset Compliance and Control.
- 19.6. Results of the asset verification must be submitted to the Director: Asset Compliance and Control within three days of the verification being completed.

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- 19.7. The Asset Verification Plan must include the following:
- (a) Department to be subjected to verification;
 - (b) Timing of verification exercise;
 - (c) Timing of verification;
 - (d) Verification of both moveable and non-moveable assets, and (e) Prioritisation of assets to be verified.
- 19.8. The ED: Financial Reporting and Assets must review the Asset Verification Plan and recommend for approval to the GCFO.
- 19.9. The GCFO must approve the Asset Verification Plan in line with the delegation of authority.
- 19.10. The Asset Verification Plan must be submitted to the Assets and Liabilities Forum for noting.
- 19.11. The verification of assets must be done by each department in accordance with the Asset Verification Procedure Manual.
- 19.12. The verification testing must be conducted by each department from the asset register to the floor and from the floor to the asset register (two-way testing) to ensure the validity and completeness of assets.
- 19.13. On a monthly basis, the Director: Asset Compliance and Control must compile a report on the following matters:
- (a) Planned verifications vs. Actual verifications;
 - (b) Reasons for verifications not occurring, and (c) Results of the verification exercise.
- 19.14. The progress report must be presented by the Director: Asset Compliance and Control to the Assets and Liabilities Forum.

20. Movement of Assets

- 20.1. All movements of assets must be duly authorised as per the Delegations of Authority.
- 20.2. A “*temporary movement of asset form*” must be completed for the temporary movement of an asset from its original location and must be duly authorised as per the Delegation of Authority.
- 20.3. Departmental asset controllers on a monthly basis must report to the ED of the applicable Department on all asset movements.
- 20.4. The ED of the applicable Department must ensure that all movements of assets together with the relevant authorisation are recorded in the asset register in a timely manner and accurately.

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- 20.5. The ED of the applicable Department must prepare a monthly report of all movements of assets which should include:
- (a) The relevant authorisation for the movement;
 - (b) The date the asset was taken from its original location;
 - (c) The date the asset was returned to its original location, if the movement was temporary, and
 - (d) Evidence of updating of the Fixed Asset Register.
- 20.6. The progress report must be presented by the ED of the applicable Department at the Assets and Liabilities Forum.

21. Losses and Damages

- 21.1. All losses of assets or damages to assets must be dealt with according to the Loss Control Policy of the municipality.
- 21.2. All departmental officials are responsible for reporting any loss or damage to an asset to the departmental asset controller within one working day of such loss.
- 21.3. Losses and damages must be communicated to both the Director: Insurance and Director: Asset Compliance and Control Unit.
- 21.4. The losses and damages report must be presented by the Director: Insurance at the Assets and Liabilities Forum.

22. The Fixed Asset Register

- 22.1. All assets owned and controlled by CoT, but excluding assets listed on the CS9 form on asset management, must be recorded in the asset register, regardless of the funding source and value thereof.
- 22.2. All assets must be accurately recorded in the procurement and financial systems and the asset register.
- 22.3. The description captured in the asset register for all assets acquired must be aligned to the CoT's Standard Data Dictionary as provided by the Asset Compliance and Control Unit.
- 22.4. The FAR must comply with both the requirements of the Municipal Finance Management Act, Generally Recognised Accounting Practices as well as any other statutory reporting obligations.
- 22.5. All DCM's and SED's must:

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- (a) Review the FAR to ensure that all assets allocated to their departments are correctly reflected therein, and
 - (b) Annually sign-off the asset register pertaining to their departments confirming that the completeness, accuracy, impairment testing, valuation and existence of assets under their control.
- 22.6. On a monthly basis, the Director Asset Compliance and Control Unit must:
- (a) Update the FAR with all movements in assets, which would include, but is not limited to, additions, disposals, losses, damages, transfers, donations etc.;
 - (b) Reconcile the FAR to the general ledger in terms of the various categories and classes of assets;
 - (c) Resolve all reconciling items. Asset controllers in the relevant department must support the Director Asset Compliance and Control Unit in resolving reconciling differences, and
 - (d) Report to the ED: Financial Reporting and Assets on all changes to the FAR.
- 22.7. The ED: Financial Reporting and Assets must review and approve all changes to the FAR.
- 22.8. The GCFO must ensure that:
- (a) A monthly reconciliation is performed for all asset classes between the Fixed Asset Register and the General Ledger;
 - (b) All changes are made to the FAR;
 - (c) All assets must be accurately recorded in the procurement and financial systems and the Asset Register;
 - (d) The all applicable assets must be depreciated, according to the straight line method, on a monthly basis, taking into account the useful life per Appendix B of this policy;
 - (e) The Asset Register provide the basis for the figures in the financial statements, and
 - (f) Reporting adheres to all applicable legislative requirements.
- 22.9. The Director: Asset Compliance and Control Unit must record the necessary approved adjustments to the Asset Register after the annual and quarterly physical verifications have been conducted.
- 22.10. The reconciliation of the asset register against the Procurement and Financial Systems must be done on a monthly basis by the Director: Asset Compliance and Control Unit and findings reported to the GCFO.

23. Reconciliation of Departmental StandAlone Systems to FAR

- 23.1. The SAP FAR is the primary asset register of CoT.
- 23.2. There must be no unresolved reconciling items between the SAP FAR and stand-alone systems being used by CoT officials.
- 23.3. Departments must reconcile the data in their stand-alone systems to the SAP FAR, on a monthly basis.
- 23.4. DCM's and SED's of the respective departments must review and approve the monthly reconciliation between stand-alone system and the SAP FAR.
- 23.5. Reconciling items should be investigated and resolved.
- 23.6. Departments should submit their final reconciliations to the Director: Asset Compliance and Control Unit on the 7th working day of each month.
- 23.7. The Director: Asset Compliance and Control Unit should submit a summary reconciliation to the ED: Financial Reporting and Assets for review.
- 23.8. The ED: Financial Reporting and Assets should submit the summary reconciliation GCFO for approval.
- 23.9. The GCFO should report to City Manager and SEDs on any variances between the FAR and departmental stand-alone systems.
- 23.10. The City Manager and SEDs must take steps to resolve the identified variances to the extend to avoid any similar variances recurring.

24. Accounting Requirements

- 24.1. The GCFO must ensure that the assets disclosed in the Annual Financial Statements are in line with appropriate GRAP Standards, National Treasury Guidelines and other statutory reporting requirements.
- 24.2. The GCFO must approve the asset management disclosure in the Annual Financial Statements.
- 24.3. The ED: Financial Reporting and Assets must review and recommend the asset management disclosure in the Annual Financial Statements for approval to the GCFO.

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- 24.4. The Director: Asset Compliance and Control Unit must review and recommend the asset management disclosure in the Annual Financial Statements to the ED: Financial Reporting and Assets.
- 24.5. The Deputy Director: Asset and Accounting and Deputy Director: Financial Performance Reporting must prepare the required asset management disclosure in the Annual Financial Statements.
- 24.6. The fixed asset register must provide the basis for the figures in the financial statements.

25. Non-compliance of the Asset Management Policy

- 25.1. Where a CoT employee is suspected of breaching the policy, the employee will be subjected to the disciplinary code and grievance procedure of the CoT.

26. Delegations

- 26.1. As per approved Delegation of Authority in Appendix C of this Policy.

Appendix A:
Standardised Data Dictionary
Appendix B:
Expected Life-cycle per Asset Class
Appendix C:
Delegation of Authority

Appendix D:
Cash vs. Non-cash Generating Asset Position
Paper