



**MASILONYANA LOCAL
MUNICIPALITY
ASSET MANAGEMENT POLICY
2025/2026**

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ABBREVIATIONS AND DEFINITIONS

AM	Asset Management
AMS	Asset Management System
AR	Asset Register
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
DM	District Municipality
GRAP	Standards of Generally Recognised Accounting Practice
IA	Intangible Assets
IAR	Infrastructure Asset Register
IDP	Integrated Development Plan
IIMM	International Infrastructure Management Manual
IP	Investment Property
MFMA	Municipal Finance Management Act
MSA	Municipal Services Act
NT	National Treasury
OHSA	Occupational Health and Safety Act
PPE	Property, Plant and Equipment

Accounting Officer means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).

Agricultural Produce is the harvested product of the municipality's biological assets.

Biological Assets are defined as living animals or plants.

Capital Assets (assets) are items of Biological Assets, Heritage Assets, Intangible Assets, Investment Property or Property, Plant or Equipment defined in this Policy.

Capitalisation is the recognition of expenditure as an asset or inventory item in the asset register.

Carrying Amount is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.

Chief Financial Officer (CFO) means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

Community Assets are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Cost of acquisition are all the costs incurred in bringing an item of plant, property or equipment to the required condition and location for its intended use.

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

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

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

Finance Lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

GRAP are standards of Generally Recognised Accounting Practice.

Heritage Assets are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

Impairment is a loss in the 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.

Infrastructure Assets are defined as any asset that is part of a network of similar assets. It is specialised in nature and does not have an alternative use. It is immovable and may be subject to constraints on disposal. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

Intangible Assets are defined as identifiable non-monetary assets without physical substance.

Investment Properties are defined as properties (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:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land for a currently undetermined future use.

Involuntary Disposals is the act of accounting for an asset that was lost, stolen, destroyed, or any other form of unplanned alienation, including natural disasters and damage suffered from riot or strike action, without consent, or intention of management or council. There is no intention or decision to generate a profit, discharge a liability or recuperate the value of an asset no longer in use or retired, and there was no exchange of resources.

Land and Buildings are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude Investment properties and Land Inventories.

MFMA refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

Other Assets are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

Property, Plant and Equipment (PPE) are tangible assets that: -

- (a) Are held by a municipality 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 period.

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

Recoverable Service Amount is the higher of a non-cash generating asset's fair value less cost to sell and its value in use.

Replacement value is the amount which is needed in current terms to replace an asset.

Residual Value is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Voluntary Disposal is the act of taking a decision to dispose of an asset to generate a profit, discharge a liability or recuperate the value of an asset no longer in use or retired.

Useful Life is: -

- (a) The period of time over which an asset is expected to be used by the municipality; or
- (b) The number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

Write-off includes the sale, loss, theft, destruction, decommissioning, derecognition or any other form of alienation that is the result of loss of control of the asset in question.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities (Accounting Standards Board, TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL (GRAP 105), 2023).

Occupied means a building, seat, etc. being used by someone (Oxford Languages, Occupied, 2023).

Fence means a barrier, railing, or other upright structure, typically of wood or wire, enclosing an area of ground to prevent or control access or escape (Oxford Languages, Fence, 2023)

Retrospective means looking back on or dealing with past events or situations (Oxford Languages, Retrospective, 2023).

PART 1: DEFINITION OF A FIXED ASSET

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a Municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, owned by or under the control of the Municipality and from which the Municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 15 and 16 below.

A Finance lease is recognised by the Municipality (the lessee) at the commencement of a lease term as an asset and liability in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct cost of the lessee is added to the amount recognised as an asset.

PART 2: ROLE OF MUNICIPAL MANAGER

As accounting officer of the Municipality, the Municipal Manager shall be the principal custodian of all the Municipality's property, plant and equipment and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

PART 3: ROLE OF CHIEF FINANCIAL OFFICER

The Chief Financial Officer shall be the fixed asset registrar of the Municipality and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

PART 4: FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired available for use.
- the location of the asset

- the department(s) or SCOA Item(s) within which the assets will be used.
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- where applicable, the identification number, as determined in compliance with part 13 below.
- Original cost, revalued amount, fair value, current replacement cost (CRC) or depreciated replacement cost (DRC), whichever is applicable in terms of the relevant GRAP standard the (last) revaluation date of
- the property, plant and equipment subject to revaluation
- the revalued value of such property, plant and equipment
- who did the (last) revaluation?
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset.
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- the source of financing, if related to a project
- the current insurance arrangements (if applicable)
- whether the asset is required to perform basic municipal services
- whether the asset has been used to secure any debt, and — if so — the nature and duration of such security arrangements
- the date on which the asset is disposed of
- the disposal price (if applicable)
- the disposal reason (if applicable)
- the date on which the asset is retired from use, if not disposed of.
- Asset class and type
- Expected useful life.
- Remaining useful life
- Remaining useful life change reason (*if applicable*)
- Condition rating
- Date of assessments (impairment/useful life)
- Function of the asset

All heads of department under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the fixed asset register and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is recorded in the property, plant and equipment register, as soon as it is acquired, or sufficient evidence of use and control is confirmed. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the property, plant and equipment register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 5: CLASSIFICATION OF PROPERTY, PLANT AND EQUIPMENT

In compliance with the requirements of National Treasury, the Chief Financial Officer, shall ensure that all property, plant and equipment are classified under the following headings in the property, plant and equipment register and heads of departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

Property Plant and Equipment

- Land (not held as investment assets)
- Investment property
- Infrastructure assets (assets which are part of a network of similar assets)
 - Water
 - Wastewater
 - Roads and stormwater
 - Electricity
- Community assets (resources contributing to the general well-being of the community)
- Building's asset (assets which are or part of a building for municipal use by either persons or infrastructure assets)
- Heritage assets (culturally significant resources)
- Other assets (ordinary operational resources)
- Moveable assets (assets not fixed to a specific location)
- Solid Waste Disposal assets
- Transport assets
- Donated Assets
- Leased Assets

Inventory

Inventory Property comprises any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business.

Other Types of Inventories:

- Investment Property (GRAP 16)
- Intangible Assets (GRAP 31)
- Biological Assets (GRAP 101)
- Inventory Property (GRAP 12)
- Assets classified as held for sale (GRAP 100)
- Housing (rental stock or housing stock not held for capital gain)

Investment Property

Investment assets (resources held for capital or operational gain)

The Chief Financial Officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 6: INVESTMENT PROPERTY AND LAND

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.
- Investment Property generates cash flows largely independently of the other assets of the municipality.

Investment property is held to earn rentals or for capital appreciation or both.

The following are examples of investment property:

Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations.

- Land held for currently undetermined future use. (If the municipality has not determined that it will use the land for short-term sale in the ordinary course of operations, the land is considered to be held for capital appreciation).
- 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; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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

- Property held for sale in the ordinary course of operations or in the process of construction or development for such sale.
- Property being constructed or developed on behalf of third parties.
- Own-occupied property, including (among other things) property held for future use as own-occupied property, property held for future development and subsequent use as own-occupied property, property occupied by employees such as housing (whether or not the employees pay rent at market rates) and own-occupied property awaiting disposal.
- Property that is being constructed or developed for future use as an investment property. GRAP 17 applies to such property until construction or development is complete, at which time the property becomes an investment property. However, existing investment property that is being redeveloped for continued future use as investment property remains investment property.
- Property that is leased to another entity under a finance lease.
- Property held to provide social service, and which also generates cash inflows, for example, a housing department may hold a large housing stock used to provide housing to low-income families at below-market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an “investment property” and would be accounted for in accordance with GRAP 17; and
- Property held for strategic purposes would be accounted for in accordance with GRAP 17.
- Where a property is utilised partly in the ordinary course of operations and partly to generate rentals or for capital appreciation it will only be classified as investment property if a significant portion is utilised to generate investment income.

6.1 Investment Property Accounting and Measurement

- Investment assets shall be accounted for separately and shall not be classified as property, plant, and equipment.
- Investment assets shall comprise land or buildings (or parts thereof) both held by the municipality, as owner or as lessee under a finance lease to earn rental income or for capital appreciation or both.
- Investment assets shall not depreciate but shall be annually valued balance sheet date to determine their fair (market) value.
- Adjustments to the previous year's recorded fair value shall be accounted for either gains or losses in the accounting records of the department or service controlling the asset.
- Annual fair value adjustment will be applied by means of application of the prevailing municipal valuation roll, an accepted expert, or any available financial information compiled by an expert.
- Any land or building owned or occupied/controlled by the municipality with the intention of selling such property in the ordinary course of business, or any land or building owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as investment property.

6.2 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 expenditures 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 in rental income, but after the renovation, it will earn R7, 000 per month in 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 the net surplus/deficit for the period in which it arises. No depreciation will be calculated on this property.
- 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.
- Fair value for investment property will be obtained from the prevailing municipal valuation roll. The date of valuation and date implementation (As per Section 31 of the Municipal

Property Rates Act) will be considered, and a fair market adjustment will be applied based on generally recognised market indicators as accepted/promoted by the Professional Valuer FAQ 7/7/2021.

- If/when a value was not obtained from the valuation roll, similar comparable properties will be identified from the valuation roll and a similar rate will be applied to ensure consistency.
- Size discrepancies between the valuation roll and the GIS data will be flagged. This might happen due to subdivisions that have occurred. The valuer will then identify similar comparable properties in the valuation and apply such rates to the subject property, to ensure consistency. General accepted size differences between roll/deeds data and GIS data account for 5% any difference more than 5% will be treated as indicated. Any discrepancies smaller and equal to 5% rounded will be valued based on the valuation roll. However, smaller extent properties with a size smaller than 100m² will not be treated in the same manner and professional knowledge and value assessment will be applied based on the discrepancy.

For example, a 50% size difference of 2 m² is 1 m² and the value will not be implicated and the difference will be considered negligible. However, it will not be the same in 100 m² vs 50 m² where an adjustment is required.

6.3 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 own-occupied 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 during 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 the disposal or permanent withdrawal from the 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.

PART 7: LAND:

Land, identified as PPE and inventory, is initially measured at its cost and where the land was obtained at no cost for a nominal value the cost is the fair value of the land at the acquisition date. The difference between the fair value and the nominal cost or no cost is recognised in surplus and deficit. The preferred method of application will be cost.

7.1 Land Accounting and Measurement

Any land identified subsequent to 1 July 2007, which had to be on the Municipality's register however was not, for which the actual cost cannot be obtained will be taken onto the register at deemed cost and measurement date as per directive 7 deemed cost on initial adoption of Standards of GRAP.

If/when a value was not obtained from the land register, similar comparable properties will be identified from the land register roll and a comparable rate will be applied to ensure consistency.

An item of property, plant and equipment may be acquired through a non-exchange transaction. For example, land may be contributed to a municipality by a developer at nil or nominal consideration, to enable the municipality to develop parks, roads and paths. An asset may also be acquired through a non-exchange transaction by the exercise of powers of expropriation. Under these circumstances, the cost of the item is its fair value as of the date it is acquired. In determining the fair value of an item of property, plant and equipment acquired through a non-exchange transaction, the entity applies the principles in paragraphs .35 to .38. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .21 to .27A.

For the purposes of this, the measurement at recognition of an item of property, plant and equipment or land, acquired through a non-exchange transaction, at its fair value consistent with the requirements of paragraph .18 does not constitute a revaluation.

7.2 Transfers and Disposals of Land

Transfers

The municipality subsequently measures PPE and land using the cost model. Any transfers between PPE, land and inventory do not change the carrying amount of the land, therefore no gain or loss is recognised in surplus and deficit.

Depreciation

Land has an unlimited useful life; therefore, the land is not depreciated.

7.3 Basis of Conclusion

Loss of control – Control loss is considered when the owner cannot exercise the rights as an owner due to illegal occupancy of the subject property. Occupancy is defined as a use of a property by someone, either by means of a building erected, or a enclosure erected such as a fence. A fence as per the definition refers to an upright structure that prevents control or access. We then consider the loss of control over a property when improved by a structure that hinders the owner to conduct normal day-to-day use or sale of the property. Illegally occupied properties will be accounted for, however, the loss of control will only allow for an R0 value, due to the non-existing market of willing buyers and sellers.

RDP – Our understanding stems from the explanation by the South African Government, (2023) that the Reconstruction and Development Programme (RDP) was the primary socio-economic program following the elections in 1994. The broader aim of this socio-economic policy was to establish a more equal society through reconstruction and development as well as strengthening democracy for all South Africans. People who are granted an RDP house aren't renting the property from the government; in fact, they are owners. To make this official in the eyes of the law, a Title Deed is issued and must be registered at the deeds office for it to be valid. Again, this can be quite the process, and beneficiaries of the RDP housing system sometimes stay on the property for years before receiving Title Deeds. This means that upon receipt of the house, the RDP beneficiaries do not immediately become the full owners of such properties. Furthermore, it must be considered that the general maintenance of the house is the responsibility of the owner(s). Of course, maintenance after receiving of RDP house is the responsibility of the family. While maintaining the infrastructure is the duty of the municipality, the onus is on you to look after the house and ensure that it stays in good condition (LIPCO Group, 2023). With this in mind, the actual ownership of the property does not seem to the owner of the house immediately, however, control over the asset has been lost and a fair value of R0 would be considered.

As per the investment property definition investment property should be 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:

- a) use in the production or supply of goods or services or for administrative purposes;
or
- b) sale in the ordinary course of operations.

RDP properties do not adhere to the definition of investment property. Due to the non-saleability of RDP properties, such property does not adhere to the Inventory definition. With this in mind, RDP properties will not be accounted for in the statements.

Size discrepancies – When valuing real estate, the size of land or improvements plays an enormous role. Contemplating the statement, the value should always be consistent and rely on the most accurate data. How you promote consistency and accuracy, is to rely on the highest registers considering property registration. The size of a property is obtained from the Surveyor-General and is stipulated in the Land Survey Act, Act no 8 of 1997. The powers and duties of the as per section 6(1)(c)(i) is to define the geometrical figure representing any portion of land and deduct the numerical extent of that portion for the original property. In essence, the Deeds office relies on the Surveyor-General for accurate data.

A study conducted by the Surveyor-General in 2010 which was also stipulated in the Cadastral Conference Resolutions in 2009, indicates that a discrepancy between 22% and 27% exists between Deeds data and SG data. This includes not only property but also size discrepancies. In our professional capacity, we have found numerous errors where the Deeds office does not adjust the sizes of land on the deeds document. Numerous reasons might exist for this and in these cases, we rely on the GIS data obtained from the Surveyor General to obtain the correct size of the property as per section 6(1)(c)(i).

If these findings are not addressed the risk of over and undervaluation will exist and pose miraculous incorrect valuations. For the valuer, we have noted that the Deeds office implements rounded sizes and not as decimal accurate sizes. From our professional valuers' perspective, the value will not be implicated if the rounded sizes or decimal accurate sizes are applied. The differences are lost in rounding and are considered negligible. We have to ensure consistency throughout our application and because some of the Deeds information is incorrect, we rely on the most accurate data, which is considered the GIS data obtained from the Surveyor General. This will ensure that all subdivisions and consolidations are accounted for and that the value allocated to the land is based on the actual sizes confirmed by the Surveyor-General. This approach allows for an accurate valuation of the SG-confirmed land sizes.

FNB Barometer – Why do we apply the FNB Barometer on a National Level to the subject of Local Municipality? If you would have considered an area where numerous amounts of sales take place such as the larger Gauteng area, it would be fairly easy to determine market trends and market movement in the property sector. However, considering the subject area limited market transactions could be obtained to develop accurate, reliable, and defensible economic trends from the information.

When we considered statistics, we should consider that Statistics is a branch of applied mathematics that involves the collection, description, analysis, and inference of conclusions from quantitative data. The mathematical theories behind statistics rely heavily on differential and integral calculus, linear algebra, and probability theory. With this in mind, the more data, the more accurate the statistics will be and vice versa.

Since the data is limited, we have to rely on other reputable sources to help with the identification of market trends in the larger property sector. Property trends are influenced by national economic trends as well as national governmental decisions and the rest of the economic factors that play a part in the larger economy.

When you would consider the FNB Property Barometer, you rely on a reputable financial institution that has access to one of the largest databases of property information in the country. The data is obtained from ample professionals in the property industry, including property valuers, property houses, and property investors. The data is analysed by a highly qualified team of professionals including, economists, actuaries, valuers, and statisticians. The project leader differs; however, it should be considered that being a financial institution the best qualified and well-versed professional will have been appointed. The information is also

used by the FNB Economical department, that project the risk to the SARB on the credit of property to determine the exposure.

With this in mind, the information portrayed by the FNB Property Barometer is considered highly accurate and is considered a reputable source of market trends and indicators of the movement of property. In an area where limited information is available, valuers will fall back on this document and apply such rates as a market movement. This has been presented at various Appeal boards and arbitrations by valuers and was accepted by the court as relevant information.

Deeds information – Section 3(a) of the Deeds Registries Act 1937 stipulates the duties of the registrar must take charge to preserve all records before the commencement of this Act or may become, after such commencement, records of any deeds registry regarding which he has been appointed. Section 3(b) reveals that the registrar may reject the registration and that the registrar must examine the documents before rejecting them; “3(c) register grants and leases of land lawfully issued by the government, and 3(d) attest or execute and register deeds of transfer of land and execute certificates of title to land.” Other sections include registration and cancellation of mortgage bonds, notarial ties, servitudes, leases, and anything that may affect the property. This section indicates the duties of keeping a register of all properties in the country, specifying all owners and any legal endorsements to such properties. The Chief Registrar of Deeds, therefore, may only demonstrate historic and active properties whereas the Chief Surveyor-General may demonstrate historic, active properties, including future planned properties. This can cause a mismatch in the linking process, displaying property not currently registered or registered historically. It would be beneficial to analyse the data, understand the shortcomings, know the data source origin, clean, and amend the data to develop an accurate valuation roll from the property master. As per the Surveyor-General in 2010 we have to make note that the deeds information may indicate historic information and should only be considered on a one-to-one base. We rely on the Deeds information where available and Municipal Valuation Roll or on the Valuation Roll as our base information where deeds are not available as the roll was developed based on a property register and is governed by the Municipal Property Rates Act.

Surveyor General Data – Section 3 of the Land Survey Act, Act no 8 of 1997 identifies functions related to all property boundaries. The Chief Surveyor-General is the higher-ranking body for property location and mapping. This governmental body is as crucial as the Chief Registrar of Deeds regarding properties and registers. The focus is on Sections 3(b) and 3(d), where the Chief Surveyor-General could discern cadastral surveys. The Chief Surveyor-General should, therefore, survey any land as requested if registered with the Deeds Office (or not). The duties of a Surveyor-General are similar to the functions deeds registrar; however, Section 3(c) is crucial in this Act. All properties in the deeds register must be surveyed and kept up to date regarding sizes after subdivisions and consolidations. With this in mind, the Surveyor General data is used as a backdrop for the property location and the size of the erf as the data that is used are obtained from the Surveyor General. Considering these sizes and location the properties are highly ranked and is considered correct.

Accounting for properties, not in the deeds – Considering the abovementioned acts some of the properties that are accounted for in the Surveyor General data might not be in the Deeds register. We account for the properties as the application for subdivision was submitted by the owner and approved by the Surveyor General. These applications usually come into existence when the need arises to utilise/sell the property due to the cost of the registration that is expensive. It was noted that some property owners request subdivisions for future planning and have at the time of subdivision submitted ample subdivisions. Our view is that we need to

account for this as the request for subdivision was made by the owner and will realise in the near future.

1Map vs SG Office Data – We utilise the 1Map platform due to the ease of reference in the software, which is maintained regularly to ensure data accuracy and consistency. The data that is used by the custodian refers directly to the Surveyor General Data as supplied by the Surveyor General Office. Thus, the reasoning behind the utilisation of such an application is merely ease of reference and obtainment of Surveyor General diagrams and other property information on an ad-hoc basis. It should be noted that the referral to SG data above being used corresponds with the Surveyor General Map view, as it is the same data obtained from the Surveyor General.

Movable or Immovable Assets – Our interpretation of movable or immovable stems from a court case regularly applied in the asset sector. *Caltex (Africa) v Director of Valuations (Cape)* 1961 1 SA 525 stipulates that Immovable property depends on: 1 Nature of the Article; 2) the Degree and the manner of attachment, and 3) the Intention of the person attaching it. The court case is clear that three sections should be considered to define an immovable property. With this in mind, we consider the actual use of the assets and the likely hood of the asset being utilised for something else. For example, if a JoJo tank or a generator is crucial for the operation of a special assist it will be considered immovable. However, this is not the only criterion of consideration, considering an Aircon that might not be critical for operation, however, it was fitted not to be moved in the and will be considered immovable.

PART 8: PROPERTY, PLANT AND EQUIPMENT TREATED AS INVENTORY

PROPERTY

Any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's statement of position.

Such inventories shall, however, be recorded in the property, plant and equipment register in the same manner as other property, plant and equipment, but a separate section of the property, plant and equipment register shall be maintained for this purpose.

PART 9: RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

Heritage assets are valued at cost less accumulated impairment losses. No depreciation shall be charged against such assets. If the cost prices of heritage assets are not known, then the heritage asset will be valued at fair value.

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

The following is a list of at least some typical heritage assets encountered in the municipal environment (No asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

PART 10: RECOGNITION OF INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the Municipality, then a distinction should be made between research and development costs. Research costs should be expensed, and development costs may be capitalised if all the criteria set out in *GRAP 102* has been met.

PART 11: RECOGNITION OF DONATED ASSETS

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

The relevant head of the department will be tasked with the duty to obtain the supporting documents from the applicable transferring entity that is donating the assets to ensure that the donated assets are substantiated with sufficient and appropriate audit evidence. Furthermore, the section manager will ensure that a transferring letter is signed by the donating entity which will include a detailed description of the assets that are being transferred, as well as the cost related to the donated assets that agree to the supporting evidence.

If no donation documents are available, but the Municipality is in control of the asset as well as its wellbeing, the said asset will be accounted for at a deemed cost on the date of which in use is confirmed by management, with sufficient audit evidence.

PART 12: SAFEKEEPING OF ASSETS

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

In exercising this responsibility, every head of department shall adhere to any written directives issued by the Chief Financial Officer to the department in question, or generally to all departments, in regard to the control of or safekeeping of the Municipality's property, plant and equipment.

Any failure to adhere to the written directives or to adequately safeguard the assets will result in consequence management actions as prescribed by *Section 32 of the Municipal Finance Management Act of 2003*.

PART 13: IDENTIFICATION OF PROPERTY, PLANT AND EQUIPMENT

The Chief Financial Officer shall ensure that the Municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

An asset identification system is a means to uniquely identify each asset in the Municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location or by means of GPS co-ordinates.

PART 14: PROCEDURE IN THE CASE OF LOSS, THEFT, DESTRUCTION OR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer, to the internal auditor, and — in cases of suspected theft or malicious damage — also to the South African Police Service.

Any failure to adhere to the written directives or to adequately safeguard the assets will result in consequence management actions as prescribed by *Section 32 of the Municipal Finance Management Act of 2003*.

PART 15: CAPITALISATION CRITERIA: MATERIAL VALUE

Movable Register

Judgment is exercised in determining the unit of measure for recognition, which may involve aggregating individually insignificant items. This is done in accordance with GRAP 17.09: This Standard does not prescribe the unit of measure for recognition, i.e., what constitutes an item of property, plant, and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals, and small items of equipment, and to apply the criteria to the aggregate value.

Moreover, Masilonyana Local Municipality has determined that assets with a useful life of less than 12 months or a cost below R 2 500.00 will not be accounted for in the financial statements. This decision is based on the immateriality of these assets, as recognized by GRAP 17, acknowledging that the administrative burden and cost associated with accounting for such assets may outweigh the benefits. This approach enables a streamlined asset management system that focuses resources on significant assets, aligning with the practicality and cost-effectiveness considerations of the municipality's operations, as permitted by the MFMA Local Government Capital Asset Management Guideline.

These assets can be found on a control list or small asset list that is in place for record-keeping purposes for all assets that fall within the above-mentioned criteria. All expenditure on items that meet the criteria above in the current financial year is to be expensed through the statement of financial performance.

Examples of assets that will not be accounted for on the movable register:

- Stationary that are low value, with a useful life of plus minus one year.
- For example, staplers, punches, binders, etc.
- Chairs that are low in value with a useful life of plus minus one year.
- For example, plastic chairs, folding chairs, etc.
- Small tools that are low in value with a useful life of plus minus one year.
- For example, grinders, drills, jacks, etc.
- Electronic equipment that are low in value with a useful life of plus minus one year.
- For example, desktop scanner, laminators, etc.
- Mobile devices
- Mobile devices such as cell phones are not considered as an asset as it is used by a Municipal Employee that takes control over the asset after the expiry date of the contract. No mobile telephone will be capitalised within the FAR. All cell phones, under term contracts remain the property of the service provider.

- Fire extinguishers
- Fire extinguishers are considered as consumables as they only have a single usage life. They also need to be serviced annually which makes their life cycle less than one year.
- Some Municipalities will have a rental agreement with a service provider, so they now own the fire extinguisher, in which case we will adjust the policy accordingly.
- Portable aircons
- Portable aircons will be included on the moveable register.

Assets that will be accounted for on the building register and not on the movable register:

- Blinds and Curtains
- Blinds and curtains that are low in value with a useful life of plus minus one year, they will be considered as an expense.
- High value blinds (e.g. town hall stage curtains) will be accounted for on the building register, as they are custom made and fixed assets.
- Shelves
- Shelves that are fixed or custom built for an area (e.g. kitchen cabinets) will be seen as permanent fixtures.
- Wall mounted or centralised aircons.
- Fixed wall mounted or centralised aircons will be seen as fixed assets capitalized on the building register.

PART 16: CAPITALISATION CRITERIA: REINSTATEMENT MAINTENANCE AND OTHER EXPENSES

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred, in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly, and commissioning costs.

PART 17: MAINTENANCE PLANS

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.

If so, directed by the Municipal Manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

PART 18: DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 17 above), the Chief Financial Officer, shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer, shall redetermine the useful operating life of the fixed asset in question, if necessary, in consultation with the head of department controlling or using such asset and shall recalculate the annual depreciation expenses accordingly.

PART 19: GENERAL MAINTENANCE OF PROPERTY, PLANT AND EQUIPMENT

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 17 and part 18 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 20: DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment, except land and heritage assets, shall be depreciated — or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited monthly against the appropriate line item in the department or SCOA Item in which the asset is used or consumed.

Depreciation of an asset should begin when the asset is ready to be used, i.e., the asset is in the location and condition necessary for it to be able to operate in the manner it is intended by management. Depreciation of an asset ceases when the asset is derecognised.

Each head of department, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable property, plant and equipment controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

During a financial year, the municipality will conduct an annual reassessment of the useful life of its assets, as required by GRAP 17. The review involves inspections by engineers, chartered accountants, and valuers. Findings determined that certain assets are being used beyond their initially estimated useful lives due to extended usage facilitated by cash flow constraints and efficient maintenance practices.

A reassessment of the actual usage and condition of these assets indicates they have a longer service potential than initially estimated. Consequently, the useful life of these assets will be extended on a monthly basis for the duration of the asset use.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other property, plant and equipment.

PART 21: RATE OF DEPRECIATION

The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the Municipality's fixed asset register.

In determining such a useful life, the Chief Financial Officer shall adhere to the useful lives set out in the annexure to this policy (see part 33 below).

In the case of a fixed asset, which is not listed in this annexure, the Chief Financial Officer shall determine a useful operating life, if necessary, in consultation with the head of department who shall control or use the fixed asset in question and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

PART 22: METHOD OF DEPRECIATION

Except in those cases specifically identified in part 24 below, the Chief Financial Officer, shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 23: AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF PROPERTY, PLANT AND EQUIPMENT

This must be reviewed at least at each reporting date, with the useful life and depreciation method.

If Assets have been lost, stolen or damaged beyond repair, it shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense.

The asset management policy of Masilonyana Local Municipality recognizes that full impairment of assets occurs when an asset is no longer in a condition to serve its intended purpose. Minor damage or dents in an asset, such as a truck, will not result in full impairment. Full impairment will only be considered when the asset is rendered nonfunctional or incapable of performing its designated tasks, such as being undrivable or unable to carry out its intended functions.

The municipality will assess and recognize impairment losses in accordance with the requirements of GRAP 17 when assets have deteriorated beyond their expected condition or can no longer fulfill their intended purpose, ensuring accurate financial reporting and sound asset management practices.

Assets not found or verified will be impaired. If an asset remains unverified for a continuous period of three years, it will be earmarked for disposal. Should such an asset be located or verified within this three-year period, a new condition assessment will be conducted, and the impairment reversal will be applied. Additionally, impairment reversals will be applied to assets where there has been a change in the condition assessment, if the calculation in terms of its Value In Use, Depreciated Replacement Cost and Carrying Value Less Impairment warrants it.

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

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it was an ordinary depreciable asset and the department or SCOA Item controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

Apply estimate adjustments prospectively.

During the process of annual condition assessments of all property, plant and equipment, a review of an assets useful life will be done.

If found that assets are still being utilized for a period that extends past its initial useful life, an adjustment will be made in the new register to accommodate the prolonged utilization of the asset.

The formula applied by the Municipality in their fixed asset registers will not allow any item to be fully depreciated to a carrying value of zero for as long as that item is still in use.

In the final year of the original estimated useful life, full depreciation will not be applied as the Municipality does not plan to sell or replace the said asset within the current or next financial year.

If there are assets that are found to be within 13 months of the end of their remaining useful life, they will receive an extension of useful life of 1 (one) month, after which the depreciation charge is calculated as the carrying value divided by the new useful life, multiplied by the days of use in the given month.

Depreciation will be calculated monthly to all the depreciating assets of the municipality.

During a financial year, the municipality will conduct an annual reassessment of the useful life of its assets, as required by GRAP 17. The review involves inspections by engineers, chartered accountants, and valuers. Findings determined that certain assets are being used beyond their initially estimated useful lives due to extended usage facilitated by cash flow constraints and efficient maintenance practices.

A reassessment of the actual usage and condition of these assets indicates they have a longer service potential than initially estimated. Consequently, the useful life of these assets will be extended on a monthly basis for the duration of the asset use.

PART 24: CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

The Chief Financial Officer shall ensure that in respect of all property, plant and equipment financed from the Municipality's asset financing reserve, or from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of property, plant and equipment donated to the Municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

The Chief Financial Officer shall thereafter ensure that in the case of depreciable property, plant and equipment an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each annually from such non-distributable reserve to the municipality's appropriation account.

Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the Chief Financial Officer shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

PART 25: CARRYING VALUES OF PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment shall be carried in the fixed asset register and appropriately recorded in the annual financial statements, at their original cost or deemed cost less any accumulated depreciation and accumulated impairment.

The only exceptions to this rule, shall be:

- revalued assets (see part 26 below) and
- heritage assets in respect of which no value is recorded in the fixed asset register (see part 9 above).

PART 26: VERIFICATION OF PROPERTY, PLANT AND EQUIPMENT

Every head of department shall at least once during every financial year and in compliance with the relevant written directives issued by the chief financial officer, undertake a comprehensive verification of all property, plant and equipment controlled or used by the department concerned.

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

Every head of department shall promptly and fully report in writing to the Chief Financial Officer, in the format determined by the Chief Financial Officer, all relevant results of such fixed asset verification and the resultant report shall be submitted to the Chief Financial Officer no later than 30 June of the year in question.

(This date may only vary upon unforeseen intervention, decision or restrictions received from National Government, if regarded that it will be in the best interest of the Public.)

PART 27: ALIENATION OF PROPERTY, PLANT AND EQUIPMENT

A Municipality may not alienate any capital asset required to provide a minimum level of basic Municipal Services.

A Municipality may alienate any other capital asset, but provided:

- the council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services.
- the council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- the prescriptions of the municipality's supply chain management are adhered to.

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

Every head of department shall report in writing to the Chief Financial Officer on 31 October and 30 April of each financial year on all property, plant and equipment controlled or used by the department concerned which such head of department wishes to alienate.

The Chief Financial Officer shall thereafter consolidate the requests received from the various departments and shall promptly report such consolidated information to the Municipal Manager, indicating the process of alienation to be adopted in accordance with *Section 20 of the Municipality's Supply Chain Management Policy*.

The Chief Financial Officer shall ensure that the alienation of any fixed asset with a carrying value equal to or more than R50 000 (fifty thousand rand), takes place in compliance with *Section 14 of the Municipal Finance Management Act of 2004*.

Once the property, plant and equipment are alienated, the Chief Financial Officer, shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of performance of the department or SCOA Item concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the statement of performance of the department or SCOA Item concerned.

All gains realised on the alienation of property, plant and equipment shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of property, plant and equipment shall remain as expenses on the Statement of Comprehensive Income of the department or SCOA Item concerned. If, however, both surplus and deficit arise in any one financial year in respect of the alienation of the property, plant and equipment of any department or SCOA Item, only the net gain (if any) on the alienation of such property, plant and equipment shall be appropriated.

Transfer of property, plant and equipment to other Municipalities, Municipal Entities (whether under the Municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty in accordance with *Section 20 of the municipality's supply chain management policy*.

The Chief Financial Officer shall in July of every year report to the council of the Municipality the details of all property, plant and equipment disposed of during the immediately preceding financial year.

PART 28: OTHER WRITE-OFFS OF PROPERTY, PLANT AND EQUIPMENT

Every head of department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any property, plant, and equipment, which such head of department wishes to have written off stating in full the reason for such recommendation.

The Chief Financial Officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the property, plant, and equipment to be written off.

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

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall.

Immediately debit to such department or SCOA Item, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 23) and equipment, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such department or SCOA Item, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 23).

Any assets identified for auction will be treated in accordance with the requirements and processes documented in Part 27 above.

PART 29: REPLACEMENT NORMS

The Municipal Manager, in consultation with the Chief Financial Officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational property, plant and equipment. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the Municipality for approval.

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

PART 30: INSURANCE OF PROPERTY, PLANT AND EQUIPMENT

The Chief Financial Officer shall ensure that all movable assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

If the Municipality operates a self-insurance reserve (assuming such reserve to be allowed), the Chief Financial Officer shall annually determine the premiums payable by departments.

The Chief Financial Officers Hall determine the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the property, plant and equipment concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

- The Chief Financial Officer shall annually submit a report to the council of the municipality for approval on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.
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PART 31: BIOLOGICAL ASSETS

Accounting for biological assets shall take place in accordance with the requirements of GRAP 101.

The Chief Financial Officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs.

Such valuation shall be undertaken by a recognised valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or SCOA Item concerned as an operating expense, and any increase in the valuation shall be credited to the department or SCOA Item concerned as an operating revenue.

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

Records of the details of biological assets shall be kept in a separate section of the property, plant and equipment register or in a separate accounting record altogether, and such details shall reflect the information which the Chief Financial Officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The Chief Financial Officer shall annually ensure the Municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the Municipality considers such insurance desirable.

PART 32: CLASSIFICATION OF ELECTRICAL AND WATER METERS

Where the Municipality is required to provide a water and electricity connections by means of a service connection pipe/cable of a size or length for which no charge is determined in the approved tariff, or if, because of any special circumstances, the amount so prescribed is insufficient to cover the actual costs of providing and installing such connection for water / electricity, the consumer shall be liable to pay to the Municipality an amount equal to the actual costs incurred by the Municipality in respect of material, labour and transport for providing the connection. Based on the above, the Municipality do sale the water meters as all the cost is incurred by the consumers. Therefore, the water meters are expensed and not capitalised as part of PPE.

Loss of Control: Once water and electrical meters are installed in the yards, the Municipality loses control over these meters. The meters become the responsibility of the owner or occupant of the property, including maintenance and replacement costs of such meter. Access to the resource, or the ability to deny or restrict others to access the resource are controlled by the occupant or property owner as a result, the Municipality no longer exercises the level of control necessary for recognizing these meters as an asset in accordance with GRAP and will be expensed.

PART 33: ANNEXURE AV1: ESTIMATED USEFUL LIFE GUIDELINE

Please refer to the attached documents: “ANNEXURE A: ESTIMATED USEFUL LIFE GUIDELINE”

Fair Value Cost

The revaluation process (when applicable)

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.

PART 34: CALCULATION OF RENT- PROPERTY OF THE COUNCIL-LETTING TO PERSONNEL

This Policy makes provision for the following addition regarding the letting of Council property (Council houses).

- The houses which are the property of the Roads Department may only be let to employees of the Roads Department. This also apply for future letting where houses became vacant.
- Properties are let voetstoots and shall be let on the same basis in future.
- Normal wear and tear will be for the account of the tenant.
- Services [water, electricity, sewage and refuse removal] is also for the account of the tenant.

Rental

Rental will be payable as follows:

- Tenants with a basic salary of R10 000 per month and less: 6% of the basic salary + services
[This category includes all present tenants]
- Tenants with a basic salary of R10 001 — R11 000 per month: 8% of the basic salary + services
- Tenants with a basic salary of R11 001 — R 12 000 per month: 9% of the basic salary + services
- Tenants with a basic salary of R 12 000 and more per month: 10% of the basic salary + services
- Rental includes VAT.

Payment Of a Deposit

A onetime payment of R1 250.00 (one thousand two hundred and fifty rand), is payable as deposit at the beginning of the tenancy in respect of all future (new) tenants.

Existing tenants are exempted from paying such a deposit.

Conditions Of Sale

- Present Tenants are having the first option to buy at the conditions of sale as already approved by Council. The same conditions of sale shall also apply to future buyers.
- If a tenant, for whatever reason, vacate a house and does not exercise the option to buy, the house must be vacated within a reasonable period, not exceeding 90 days, after all outstanding rental and service charges have been paid up to date.

PART 35: WORK IN PROGRESS:

Unbundling Of Fixed Assets Form Work In Progress

- A project will only be capitalized once a completion certificate has been issued for the respective project by the consulting engineers of the project.
- If for any reason the project was placed on hold, has been abandoned or significantly delayed, but there are assets that have been taken in use by
- the Municipality, these assets will be capitalized based on the date on which they were first taken in use. This will be formalized with a document signed by the chief executive officer or municipal manager.
- If a project has been finalized it will be transferred from the Work in Progress Register to the relevant Fixed Asset Register, this will be done through the unbundling process.
- A weighting methodology will be used by adding the value of assets that needs to be capitalised from the bill of quantities. From there a weighted average is determined per line item. The total project cost will be divided into these line items based on their respective weight.
- This will be done to ensure that cost incurred during the project is evenly capitalized based on the significance of each line item. These are costs such as transport, site establishment, security, labour, and accommodation.

Format For the WIP Register.

- Asset Class
- Opening Balance
- Additions for current year
- Closing balance
- Transfer into FAR (Capitalised Amount)
- Date of transfer into FAR
- Project Status (complete/WIP)
- Project Name
- Community

PART 36: DEFINITIONS

Cost is 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 (Accounting Standards Board, Investment Property (GRAP 16), 2023).

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 (Accounting Standards Board, Investment Property (GRAP 16), 2023).

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities (Accounting Standards Board, TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL (GRAP 105), 2023).

Occupied means a building, seat, etc. being used by someone (Oxford Languages, Occupied, 2023).

Fence means a barrier, railing, or other upright structure, typically of wood or wire, enclosing an area of ground to prevent or control access or escape (Oxford Languages, Fence, 2023)

PART 37: BACKDATED IMPLEMENTATION:

To align with our dedication to enhancing asset management practices and ensuring comprehensive and accurate reporting, the Masilonyana Local Municipality has decided to apply the Asset Management Policy retrospectively. Such a retrospective application enables us to capture historical data, evaluate past asset management practices, and establish a consistent approach to asset management across all assets within our jurisdiction. Through applying this policy retrospectively, we aim to improve the accuracy and completeness of asset information and historical records, assess the performance, condition, and useful lives of assets based on consistent criteria, identify any discrepancies, gaps, or opportunities for improvement in previous asset management practices, and enhance the transparency and reliability of financial reporting related to our assets.

PART 38: ESTIMATED USEFUL LIFE CHANGES:

Distinction Between Estimated and Remaining Useful Life:

According to GRAP 17.56 to 59, estimated useful life refers to the period over which an asset is expected to be available for use by the entity. It represents the initial assessment of the total expected useful life of the asset, considering factors such as physical wear and tear, technological obsolescence, legal or contractual limitations, and expected patterns of consumption.

On the other hand, remaining useful life refers to the portion of the estimated useful life that is yet to be consumed or utilized as of a particular reporting date. It is the updated assessment of how much longer the asset is expected to provide economic benefits to the entity, considering its current condition and usage.

In summary, estimated useful life is the initial estimate of the entire useful life of an asset, while remaining useful life represents the portion of that estimated life that is remaining at a given point in time.

Determination Of the Useful Life

In accordance with the MFMA — Local Government Capital Asset Management Guideline, Masilonyana Local Municipality acknowledges that the determination of the useful life of a particular class of assets requires judgment based on operational experience and consultation with specialists, such as engineers. The municipality's management is empowered to exercise discretion in determining the estimated useful life of assets, taking into consideration factors specific to the municipality.

Masilonyana Local Municipality recognizes the importance of aligning the estimated useful life of assets with operational realities and will adhere to the prescribed consultation process and approval mechanisms outlined by the MFMA guidelines. This ensures that the municipality maintains transparency and accountability in its capital asset management practices while making informed decisions regarding the useful life of its assets.

A change in accounting estimates will be an adjustment of:

- the carrying amount of an asset or a liability, or
- the amount of the periodic consumption of an asset, that will result from the assessment of the present status of and expected future benefits and obligations associated with assets and liabilities.

Changes in accounting estimates will result from new information or new developments and accordingly, will not be corrections of errors.

Prior period errors will be omissions from and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use or misuse of reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and considered in the preparation and presentation of those financial statements.

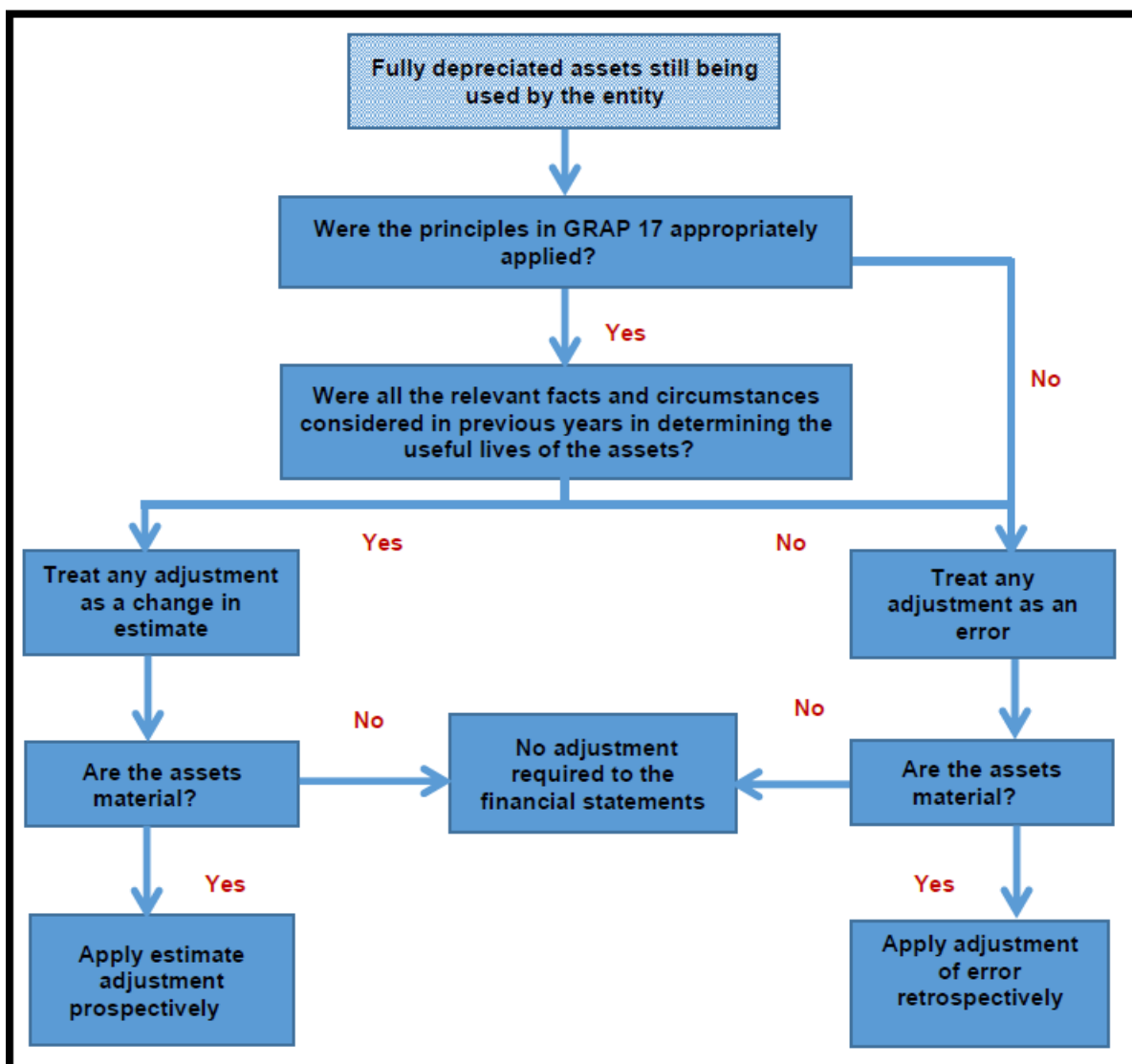
Such errors include:

- the effects of mathematical mistakes
- mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud.

Apply Adjustments as An Error Retrospectively:

The municipality reserves the right to adjust the estimated useful life of an asset based on the following:

- The utilization rate is substantially more or less than planned or expected.
- There has been a change in the area of utilization of the asset that resulted into misuse.
- Planned repairs and maintenance have not taken place on the asset as intended.



ANNEXURE A: ESTIMATED USEFUL LIFE GUIDELINE

ANNEXURE B: EXAMPLES OF ASSET TYPES NOT CAPITALISED DUE TO THEM BEING UTILISED LESS THAN 12 MONTHS

- Kitchenware, e.g., Kettles, toasters, two-plate stove, etc.
- Stationery equipment, e.g., Punches (not heavy duty), staplers (not heavy duty), etc.
- Garden equipment, e.g., Brooms, rakes, spade, etc.
- Machines (not heavy duty), e.g., Spanners, screw drivers, etc.
- Electrical equipment, e.g., Extension lead, multi plug, etc.
- Other, as may be determined by management (such as plastic chairs)
- Generally, items below R 2 500.00 will not be capitalized but rather expensed.

ANNEXURE C CONDITION ASSESSMENT CRITERIA

As a starting point in gaining the necessary understanding, a rating scale such as the one in the following table is applicable for tangible capital asset:

Condition rating table				
Grade	Description	Detailed Description	Estimated Remaining Life	Indicative of RUL
1	Very Good	New, sound structure or appearance, well maintained. Continue with planned maintenance.	As estimated	100% EUL
2	Good	Performance acceptable with minor deterioration (<5%). Normal planned maintenance continues.	As estimated	83% EUL
3	Fair	Clearly evident deterioration (10–20%). Significant maintenance required, consider impairment.	Less than estimated	67% EUL
4	Poor	Significant deterioration in structure or appearance. Significant impairment of performance. Significant maintenance required.	Significantly less than estimated	50% EUL
5	Very Poor	Unsound, does not perform. Reconstruction or replacement required (>50% needs replacement).	None or nominal	33% EUL
6	Impaired	Asset is not repairable and requires replacement.	None	0% EUL

It is recommended, when a condition assessment is conducted, that the municipality have clearly defined risk-based parameters and that the asset management processes have been developed and be in operation. The basic asset management processes that should be operational include:

- Complete asset registers with appropriately defined capital asset classes.
- Performance measurement processes implemented.
- Maintenance expenditure and events recorded for the capital assets.
- Strategic plans drafted for the medium term.
- Asset criticality analysis conducted.
- Risk management plans for the capital assets developed; and
- Acquisition, operation and maintenance, and disposal plans developed based upon the information in the asset register.
- When the condition of the asset decreases it will decrease the service potential.

It is important to bear in mind that the benefits of conducting the condition assessment should outweigh the costs of conducting this assessment. For unreasonably expensive condition

assessments, alternative approaches should be considered so that the municipality is able to justify the costs while still having reliable information to act upon.

REFERENCE FOR LAND AND INVESTMENT PROPERTIES SECTIONS

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