

**FIXED ASSETS MANAGEMENT POLICY**

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**Introduction**

This policy document is provided to assist management and employees of Mafube Local Municipality in implementing and maintaining consistent, effective and efficient asset management principles.

This policy document supersedes all Fixed Assets management policy instructions that have previously been issued.

Failure to comply with the prescribed policies will result in the institution of disciplinary procedures in terms of the stipulated human resource policies and procedures of Mafube Local Municipality.

**Responsibility:**

The responsibility of fixed asset management lies with the Municipal Manager and the Chief Financial Officer. The performance of this function has to be delegated to the Deputy Finance Manager. This however, does not alleviate the responsibility of the Municipal Manager and the Chief Financial Officer. The Municipal Manager and the Chief Financial Officer will need to ensure that all the fixed assets are adequately insured against loss, theft and damage of any nature.

No amendments, deletions or additions to the fixed assets register shall be made other than by the Chief Financial Officer or by an official acting under the instruction of the Chief Financial Officer.

**Objectives**

The objective of this documents is:

* To safeguard fixed assets of Mafube Local Municipality and to ensure the effective use of the existing resources.
* To emphasise a culture of accountability over fixed assets.
* To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation, and
* To provide a formal set of financial procedures that can be implemented to ensure that Mafube Local Municipality’s financial assets policies are achieved and are in compliance with the Municipal Finance Management Act ( MFMA)

**Fixed Asset**

It is a resource controlled by the enterprise as a result of past events and which future economic: benefits are expected to flow to the enterprise. The cost would include transport costs, labour and any other cost incurred to bring the assets to its present location and condition.

Similar assets of the same sub-category whose individual values, before VAT, are less than R2 000 but cumulatively would exceed R2 000, must be grouped together and capitalised under one line item/narration e.g. Total chairs.

Characteristics of a depreciable fixed assets are the following:

* It is estimated the asset will be used for more than one financial period.
* It has a limited useful life
* It is used in a process of delivering services
* The resources should provide future economic benefits
* The future economic benefits should accrue to the municipality
* The event giving rise to the municipality’s right to the resources and control over the future economic benefits must already have occurred and
* It should be possible to determine the cost of the asset reliably.

**Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to other, or for administrative purpose.

No intangible item shall be recognised as a fixed assets, except that the Chief Financial Officer, acting in strict compliance with the criteria set out in the GRAP statement dealing with research and development expenses may recommend to council that specific development costs be recognised as fixed assets.

**Capitalisation and Valuation of Assets**

Assets whose individual value excluding VAT, is less than R2 000 (two thousand rand) must be expensed in the month of purchase.

Every head of department must ensure that any item with the value in excess of R2 000 (two thousand rand) excluding VAT, and with an estimated useful life of more than one year, shall be capitalised in the asset register.

**Capital budget**

A capital budget must be compiled and approved for all capital acquisitions

**Procurement of assets**

All assets acquired must be in terms of the capital budget. Assets must be procured in such a way that:

* A proper need for the asset was identified and
* Proper and approval procurement procedures are adhered to

Authorisation for procurement should be as per the department delegation of authority and payment for assets should be in accordance with the financial policies and regulations of the council.

The Municipal Manager, in consultation with the CFO and other head of department, shall formulate norms and standards for the replacement of all normal operational assets. 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 for motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

**Guideline procedures for additions to fixed assets**

The MM and CFO should inform the council of the acquisition or disposal of significant asset, and the relevant particulars of the transaction have to be submitted to the executive authority for approval.

It is the responsibility of the Procurement officer to inform the assets official of all asset purchases.

The following should be updated in the fixed asset register:

* Suppliers name
* Cost of assets
* Monthly depreciation
* Accumulated depreciation
* Nett book value. Asset description
* Expected useful life
* Depreciation rate
* Method of payment and financing source
* Assets number
* Cheque or transfer number : and invoice no

**Capitalisation vs. Expenditure**

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised should be added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise.

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.

**Guideline for asset enhancement**:

An item of expenditure is recognised by the municipality as an asset when it has the characteristics defined in the policy.

As the classification of an expenditure item (for instance on repair or an improvement) is often subjective, the following guidelines for enhancements should be used:

* Modify an item to extend its useful life:
* Upgrading machine parts to achieve a substantial improvement in the quality of output, or
* Adopting new production processes enabling a substantial reduction in previously assessed operating costs.

**Disposal of assets**

Assets must be disposed in such the way that:

1. Assets disposal must be in line with the MFMA
2. In financial terms, such disposal is always to the benefit of the municipality and
3. During the considerations and acceptance of tenders/quotations or any bid for such assets, the image of the municipality is not impaired.

Authorisation for disposal should be as per the department’s delegation of authority. Proof of payment should be obtained before the asset is transferred to the new owner as per the relevant form.

Every head of department shall report in writing to the CFO at least twice in the financial year on all fixed assets controlled or used by the department concerned which such head of department is to dispose by public auction or public tender. The CFO shall thereafter consolidate the requests received from the various department, and shall promptly report such consolidation information to the council of the municipality, recommending the process of disposal to be adopted. Once the fixed asset are disposed, the CFO shall delete the relevant records from the fixed asset register.

If the proceeds on disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a Joss on disposal in the income statement concerned, the difference shall be recognised as profit/gain on disposal in the income statement of the department concerned.

All gains realised on the disposal of fixed asset shall be appropriated annually to the municipality’s asset financing fund. All losses of the disposal of fixed assets shall remain as expenses on the income statement of the department concerned. If, however, both gains and losses arise in anyone financial year in respect of the disposal of the fixed assets of any department, only the net gain (if any) on the disposal of such fixed assets shall be appropriated.

**Guideline procedures for disposal of fixed assets**

If a department wants to dispose of an asset. The head of department must submit a motivation and an Assets **Disposal Requisition (ADR)** in duplicate to the fixed accountant.

The accountant must recommend, by signature, the asset to be disposed of and submit the motivation to the Chief Financial Officer.

The CFO must recommend all disposals whose asset cost is greater than R250 000 and submit motivation to the Municipal Manager.

For assets with an initial cost of over R250 000, the MM must authorised all disposals of fixed assets by signing the ADR. Once signed the ADR must be handed to the CFO.

The assets officer must update his/her asset listing on receipt of the authorised ADR and file the ADR, and must submit the updated listing to the CFO for approval.

The assets officer must update the fixed assets register, by detailing the date the assets were transferred for auction or sale on the register, ad file the ADR in the date order.

The following information should be updated in the fixed asset register:

* Reason for disposal
* Information relating disposal
* Individual requesting disposal
* Cost, book value and proposed selling price of the asset in question
* Dates of sale
* Method of payments
* Receipt number and
* The entire relevant asset information e.g. number, type etc.

The accounting records should be updated with information regarding the sale. The profit or loss should be recognised in the financial records of the department.

**Other write-off of fixed assets**

A fixed asset shall be written off only on the recommendation of the head of department controlling or using the asset concerned. The head of department shall report to the Chief Financial

Officer on the 31 October and 30 April of each financial year o any fixed assets that such department wishes to have written off, stating in full reason for such recommendation. The CFO shall consolidate all such report, and shall promptly submit a recommendation to the council of the municipality on the fixed asset to be written off.

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

In every instance where a not fully depreciable fixed asset is written off, the CFO shall immediately debit such department, as additional depreciation expense, the full carrying value of the asset concerned.

**Guideline procedures for scrapping of fixed assets**

If the head of department wants to scrap off an asset, he/she must submit a motivation, an Assets Scrapping Requisition (ASR) in duplicate and the asset, where possible, to the assets officer.

The assets officer must physically inspect and recommend, by signature, the assets to be scrapped and submit the motivation to the CFO.

The CFO must recommend the scrapping and submit the motivation to the Municipal Manager.

For asset with an initial cost of over R250 000.00 the MM must authorise all scrapings of fixed assets by signing the ASR. Once signed the ASR must be handed to the CFO and the assets officer.

The assets officer must update his asset listing on receipt of the authorised ASR and file the ASR with the monthly register, and submit it to the CFO for approval.

On receipt of the authorised ASR the assets officer must update the fixed asset register, by detailing the scrapping date on the register, and file the ASR in date order.

The following information should be updated in the fixed asset register:

* Reason for disposal
* Information relating to the buyer
* Individual requesting disposal
* Cost, book value and proposed selling price of the asset in question
* Dates of sale
* Method of payments
* Receipt number and
* The entire relevant asset information e.g. number, type etc.

**Transfers**

When fixed assets are transferred between the different Municipalities, a document with specific authorisation should be attached to the asset being transferred so as to make sure that authority was given for that specific asset to the transferred. The document should also include full details of the asset being transferred which should include:

* Asset Description
* Cost of the asset
* Date of acquisition
* Unique number
* Effective date of transfer
* Quantity
* Authorisation by both transferor and transferee municipalities

The fixed asset accountant must then effect the transactions in the books of accounts on the day the asset leaves the transferor municipality.

**Revaluation of Assets**

All land and buildings recorded in the municipality’s fixed asset register shall be re-valued with the adoption by the Municipality of each new valuation roll (or, if the land and buildings concern fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

The CFO shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed assets as recorded in the valuation roll.

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

The fixed asset concerned shall, in the case of buildings, be depreciated on the basis of its re-valued amount, over its remaining useful operating life. The increase in depreciation expenses shall be budgeted for and debited against the appropriate line item in the department controlling or using the fixed asset in question.

The CFO shall ensure that an amount equal to the difference between the new monthly depreciation expense and the depreciation expense determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality’s appropriate account. An adjustment of the aggregate transfer shall be made at the end of each financial year.

**Revision of useful life**

It may be necessary to review the useful life of asset, as the original estimate of useful life may become inappropriate. Such an adjustment is deemed to be a change in estimate and the depreciation charge for the current and future periods should be adjusted.

**Guidelines for changes in accounting estimates**

As a result of the uncertainties inherent in business activities, many financial items cannot be measured but can only be estimated. The estimation process is based on judgements based on the latest financial information available. Estimates may be required, for example bad debts, inventory obsolescence or the useful lives or expected pattern of consumption of economic benefits of depreciable assets.

An estimate may need to be revised if changes occur regarding the circumstances on which the estimate was based or asset a result of new information, more experience or subsequent developments.

In practice the Department may decide to revise the useful life of an asset or a group of assets due to certain circumstances.

The effect of a change in accounting estimates should be included in the determination of net profit or loss in:

* The period of the change if the change affects the period only, or
* The period of change and future periods, if the change effects both.

**Asset classes and depreciation periods**

Assets are classified in terms of GAMAP/GRAP. Estimation of useful life is to be made using the best available information. Changes in useful life and depreciation rates are to be approved by the CFO.

**The following are asset classes and depreciation periods (GAMAP 113)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Asset Life |  |  | Asset Life |  |
| **Infrastructure Assets** |  |  |  |  |
| **Electricity:** |  |  | **Gas:** |  |
| Power stations | 30 |  | Meters | 20 |
| Cooling towers | 30 |  | Mains | 20 |
| Transformers Kiosks | 30 |  | Storage tanks | 20 |
| Meters | 20 |  | Supply/Reticulation | 20 |
| Load control equipment | 20 |  |  |  |
| Switch gear equipment | 20 |  | **Sewerage:** |  |
| Supply/reticulation | 20 |  | Sewers | 20 |
| Mains | 20 |  | Outfall Sewer | 20 |
| Purification Works | 20 |  |  |  |
| Sewerage Pumps | 15 |  |  |  |
| Sludge Machines | 15 |  |  |  |
|  |  |  |  |  |
| **Roads:** |  |  | Pedestrian Malls: |  |
| Motorways | 15 |  | Footways | 20 |
| Other roads | 10 |  | Kerbing | 20 |
| Traffic islands | 10 |  | Paving | 20 |
| Traffic Lights | 20 |  |  |  |
| Street Lighting | 25 |  | **Airports:** |  |
| Overhead bridges | 30 |  | Aprons | 20 |
| Storm-Water Drains | 20 |  | Runways | 20 |
| Bridges, subways & culverts | 30 |  | Taxiways | 20 |
| Car parks | 20 |  | Airports/Radio beacons | 20 |
| Bus terminals | 20 |  |  |  |
|  |  |  |  |  |
| Asset life |  |  | Asset Life |  |
| **Community Assets** |  |  |  |  |
| **Building:** |  |  | **Recreational Facilities:** |  |
| Ambulance stations | 30 |  | Bowling greens | 20 |
| Aquariums | 30 |  | Tennis courts | 20 |
| Beach developments | 30 |  | swimming Pools | 20 |
| Care centres | 30 |  | Golf Course | 20 |
| Cemeteries | 30 |  | Jukskei pitches | 20 |
| Civic Theatre | 30 |  | Outdoor Sports facilities | 20 |
| Clinics/Hospitals | 30 |  | Organ & Case | 20 |
| Community Centres | 30 |  | Lakes and dams | 20 |
| Fire Stations | 30 |  |  |  |
| Game reserves/Rest Camps | 30 |  | **Security Measures:** |  |
| Indoor Sports | 30 |  | Fencing | 3 |
| Libraries | 30 |  | Security System | 5 |
| Museums/Art galleries | 30 |  | Access Controls | 5 |
| Parks | 30 |  |  |  |
| Public toilets | 30 |  | **Water:** |  |
| Recreation Centres | 30 |  | Meters | 15 |
| Stadiums | 30 |  | Supply/reticulation | 20 |
| Zoo’s | 30 |  |  |  |
| Mains | 20 |  |  |  |
| Rights | 20 |  |  |  |
| Reservoirs &Tanks | 20 |  |  |  |
|  |  |  |  |  |
| Asset Life |  |  | Asset Life |  |
| **Other Assets** |  |  |  |  |
| **Building:** |  |  | **Emergency Equipment:** |  |
| Abattoirs | 30 |  | Fire | 15 |
| Asphalt plant | 30 |  | Ambulances | 5 |
| Cable stations | 30 |  | Fire hoses | 5 |
| Caravan parks | 30 |  | Emergency lights | 5 |
| Cinemas | 30 |  |  |  |
| Compacting Parks | 30 |  | **Motor Vehicles:** |  |
| Hostels- Public/Tourist | 30 |  | Fire engines | 20 |
| Hostels- Workers | 30 |  | Buses | 15 |
| Housing Schemes | 30 |  | Motor Vehicles | 5 |
| Kilns | 30 |  | Motorcycles | 3 |
| Laboratories | 30 |  | Trucks/bakies | 7 |
| Markets | 30 |  | Watercraft | 15 |
| Nurseries | 30 |  |  |  |
| Office buildings | 30 |  | **Plant and Equipment:** |  |
| Old age homes | 30 |  | Grades | 15 |
| Quarries | 30 |  | Tractors | 15 |
| Tip sites | 30 |  | Mechanical horses | 15 |
| Training centres | 30 |  | Lawnmowers | 2 |
| Transport facilities | 30 |  | Compressors | 5 |
| Workshops/depots | 30 |  | Lab equipment | 5 |
| Farm equipment | 5 |  | Radio equipment | 5 |
|  |  |  | Firearms | 5 |
| **Office Equipment:** |  |  | General | 5 |
| Computer hardware | 5 |  | Cable Cars | 15 |
| Computer Software | 5 |  | Irrigation System | 15 |
| Office Machines | 5 |  | Crematories | 15 |
| Air-conditions | 7 |  | Lathes | 15 |
| Telecom Equipment | 5 |  | Conveyors | 15 |
|  |  |  | Feeders | 15 |
| **Furniture & Fittings:** |  |  | Tippers | 15 |
| Chairs | 10 |  |  |  |
| Tables/Desk | 10 |  |  |  |
| Cabinet/Cupboards | 10 |  |  |  |
| Miscellaneous | 10 |  |  |  |
| Milling Equipment | 15 |  |  |  |
|  |  |  |  |  |
| **Bins and Containers:** |  |  |  |  |
| Households refuse bins | 5 |  |  |  |
| Bulk containers | 10 |  |  |  |

**Asset information kept in the register**

The following information should be kept in respect of each asset:

* Asset number
* Asset type and description
* Purchase price iv Book value
* Depreciation current period
* Accumulated depreciation
* Disposal value &date

The fixed asset register shall be maintained in a format determined by the CFO, which format shall comply with the requirement of (GRAP) and any other requirements prescribed by law.

All heads of department under whose control any fixed asset fall shall promptly provide the CFO with any information required to compile the fixed asset register, and shall promptly advise the CFO of any material changes which may occur in respect of such information.

In compliance with the requirement of (GRAP), the CFO shall ensure that all fixed assets are classified under the following headings, and heads of department shall provide the CFO with such information or assistance as is required to compile a proper classification.

* Land
* Infrastructure assets
* Community assets
* Heritage asset
* Investment assets
* Housing
* Donated assets
* Other assets

**Recognition of heritage assets in the fixed asset register**

If no cost reasonable values are available in the case of one or more all heritage assets, the CFO may, if it is believed that the determined of a reasonable value for the assets in question will be a labours or expensive undertaking, record such assets in the fixed asset register without an indication of the cost or reasonable value concerned.

**Recognition of donated assets**

Where fixed asset is donated to the municipality, or a fixed asset is required by means of an exchange of assets between municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at such reasonable value as the CFO assigns to the asset in question.

**Asset verification**

To ensure the completeness and correctness of assets on the fixed asset register, all assets must be physically verified and confirmed at least twice in a financial year

All fixed assets used by employees leaving the employment of the company must be verified on the day that such employees leave.

**Guideline procedures for the maintenance of the fixed asset register**

The assets officer must update the asset listing and fixed asset register with the approved asset requisitions, and submit it to the accountant for approval.

On a monthly basis the assets officer must perform reconciliation between general ledger values and the fixed assets and inventory register values and submit it to the accountant.

The accountant must check and sign the fixed assets and inventory reconciliation as correct.

The changes made to the fixed asset register should be printed and approved by the CFO on a monthly basis.

Depreciation rates used have to be approved by the CFO before they are applied to the assets.

The accountant should allocate depreciation rates for each class of assets, and also ensure that the depreciation calculation are correctly applied and posted in the general ledger.

The assets officer should numerally account for the tag numbers, and the accountant should review the sequence monthly for missing numbers.

The assets officer must report on the physical verification bi-annually to the CFO.

The CFO must check the physical verification report. Approve and submit a copy to the MM.

Once approved by CFO the assets officer must file the report in the date order.

**Physical security of fixed assets**

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

In exercising this responsibility, every head of department shall adhere to directives issued by the Municipal Manager to the department in question, or generally to all department, with regards to the control and safekeeping of the municipality’s fixed assets.

**Insurance of fixed assets**

The Municipal Manager shall ensure that all movable fixed assets are required at least against fire and theft, and that all municipal buildings are insured at least fire and allied perils.

If the municipality operates a self-insurance fund, the Chief Financial Officer shall annually determine the premiums payable by the department after having received a list of the fixed assets and insurable values of all relevant fixed assets from heads of department concerned.

The Municipal Manager shall recommend to the council of the municipality, after consulting with the CFO, on the basis of the insurance to be applied: either the carrying value or the replacement value of the municipality fixed assets. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The CFO shall submit annually a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality self-insurance fund.

**Guideline controls over physical security of fixed assets**

**Asset security**

All assets should be kept in a secure location, maintained regularly, insured against theft or destruction, utilized economically and efficiently.

The CFO and MM should inform the council of the acquisition or disposal of significant assets, and the relevant particulars of the transaction have to be submitted to the executive authority for approval.

The disposal of any of the municipality’s major assets has to be approved by council.

**Assets identification**

A fixed assets and inventory register should be maintained, and all fixed assets should be tagged for reference to the fixed assets register.

The municipality should hold title to all assets.

**Physical verification**

The assets officer must perform a physical verification of all assets bi-annually. A statement of Existence (SOE) must be issued for assets declaring that all assets listed are on hand and are in a useful working condition. The SOE must be sent to CFO by relevant department heads.

**Insurance cover**

The Deputy Manager Finance will arrange the necessary insurance cover, including cover for assets that are removed from council property.

**Allocation of assets**

The assets officer should open an assets allocation register to monitor the use of assets. The assets officer ensure that assets utilized are restricted to the activities of the council: by continually monitoring to whom and what purpose the assets are allocated.

The relevant mayor must approve assets that are used by the officials not in their work place (e.g. laptops taken home)

The CFO must be notified for such assets leaving the workplace.

**Items lost or stolen**

When vehicle is involve in an accident, a report should be submitted to the Chief Accountant by a relevant cluster heads.

Quotations should be obtained to establish the extent and value of the damage.

The Deputy Manager Finance will submit a claim to the insurance company and report the accident to the Legal Department.

A hearing should be held to determine if it was negligence on the part of the employee. If found guilty of negligence the employee will be responsible for any cost incurred by council.

When it is suspended that an employee abuses assets this fact should be reported to the CFO. A hearing should be held to determine if this is the case. If found guilty the employee should be subject to the procedure as described in terms of the Standards Conditions of Services.

Assets/consumables lost or stolen should be reported to the CFO as soon as they are discovered.

The following must be submitted:

* A full report of the incident
* Police case number
* Quotations for the replacement

The Deputy Manager Finance will submit a claim to the insurance company.

**Repairs and maintenance**

A schedule should also be kept detailing the regular maintenance required for all relevant assets.

A schedule should also be kept detailing the council rights and obligations in respect of all assets including those under lease.

All assets should be maintained in accordance with the schedule.

*Repairs should be made to assets as n*ecessary to assets after first checking to assess whether any guarantees exist in respect of the assets.

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

If so directed by the MM, 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 detailing the extent to which the relevant maintenance plan has been complied with and the likely effect of any non-compliance may have on the useful operating life of the asset concerned.

**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 assets 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 of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such have been formulated or are likely to be implemented the CFO shall re-determine the useful operating life of the fixed asset in question if necessary in consultation with, the head of department controlling or using such assets, and shall recalculate the annual depreciation expenses accordingly.

**Financial Disclosure requirements**

The financial statement should include disclosure in respect of asset as laid out by GRAP.

**Guideline for financial disclosure**

Financial statement should include the following disclosure

* The measurement basis used for determining the gross carrying amount. When more that
* One basis has been used, the gross carrying amount for that basis in each category should be disclose
* The depreciation methods used.
* Depreciation charged in arriving at net profit or loss for the period.
* The gross carrying amount and the accumulated depreciation (aggregate with accumulated impairment) at the beginning and the end of the period.
* A reconciliation of the carrying amount at the beginning and end of the period showing :
* Additions
* Disposal
* Acquisition through business combinations
* Increases or decreases during the period resulting from re-evaluations under paragraphs and from impairment losses recognised or reversed directly in equity under the statement on impairment of assets, if any.
* Impairment losses recognised in the income statement during the period on impairment of assets, if any.
* Impairment losses reversed in the income statement during the period under the statement on impairment of assets, if any.
* Depreciation
* The net exchange differences arising on the translation of the financial statement of a foreign entity, and other movements.

The financial statement should also disclose the following:

* The existence and amounts of restrictions on title, and property
* The accounting policy for the estimated costs of restoring the site of items of property, plant and equipment.
* The amount of expenditure on account of property, plant and equipment in course of construction.

The amount of commitments for the acquisition of property, plant and equipment.

The selection of the depreciation method, and the estimation of the useful life, is a matter of judgement.

Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates, provides financial statement with information, which allows them to review the policies selected by management and enables comparisons to be made with other, enterprise. For similar reason it is necessary to disclose the depreciation allocated in a period and the accumulated depreciation at the end of that period.

The council must disclose the nature and effect of change in accounting estimates that has material effect in the current period or which is expected to have a material effect in subsequent periods in accordance with the statement on net profit or loss for the period, fundamental errors and changes in the accounting policies. Such disclosure may arise from changes in estimate with if respect to:

* Residuals values
* The estimated costs of dismantling and removing items of property, plant or equipment and restoring the site.
* Useful lives and depreciation method.

When items of property, plant and equipment are stated at revalued amounts, the following should be disclosed.

* The basis used to revalue the assets
* The effective date of the revaluation
* Whether or not an independent value was involved
* The nature of any indices used to determine replacement cost
* The carrying amount of each class of property, plant and equipment that would have been included in the financial statement had the assets been carried under the benchmark treatment.
* The revaluation surplus, detailing

1. The movement for the period
2. Any restrictions on the distribution of the balance to shareholders
3. The realized and unrealized portions thereof, of
4. The outside shareholders share thereof

Financial statement users also find the following information relevant to their needs:

* The carrying amount of temporarily idle property, plant and equipment.
* The gross amount of any fully depreciated property, plant and equipment that are still in use.
* The carrying amount of property, plant and equipment retired from active use and held for disposal.
* Where the benchmark treatment is used the fair value property, plant and equipment where this is materially different to the carrying amount.

**Other definitions**

**Leased assets**

A lease is an agreement whereby the lesser conveys to the lessee in return for a payment or series of payment the right to use an asset for an agree period of time.

A finance lease is a lease that transfer substantially all risks and rewards incident of ownership of an asset.

Examples of situations that would normally lead to a lease being classified as finance lease are:

* The lease transfer ownership of the asset to the lessee by the end of the lease term.
* The lessee has the option to purchase the asset at a price, which is expected to be sufficiently lower than the fair value.
* The lease term is for the major part of the economic life of the asset even if title is not transferred and
* At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Cost of an asset

Cost of a fixed asset includes the cost of activities (cash equivalent) necessarily incurred to bring the fixed asset to the condition and location essential for its intended use (e.g. purchase price plus transport and installation.

**Fair value**

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

**Residual Value**

Residual value is the net amount that the enterprise is expected to obtain for an asset at the end of its useful life after deducting the expected cost of disposal.

**Impairment Loss**

An impairment loss is the amount by which the carrying amount of an asset exceeds the recoverable amount**.**

**Carrying Amount**

Carrying amount is the amount at which the asset is recognised in the balance sheet after deducting any accumulated depreciation and accumulated impairment losses thereon.

Recoverable amount

Recoverable amount is the higher of the assets net selling price and its value use.

**Depreciation**

Depreciation is the declined during the accounting period in the value of fixed assets as a result of physical deterioration normal accidental damage.

During the useful life of the asset the asset will be depreciation from its actual cost price to its residual value. This value is usually nil.

**Depreciable Amount**

The depreciable amount of an asset to the total is determined after deducting the residual value of the fixed asset.

**Accumulated depreciation**

Accumulated depreciation refers to the total depreciation allocations to a certain point with respect to asset still in use.

**Construction Contracts**

A Construction Contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or inter dependent in terms of their design, technology and function or their purpose or use.

Contract costs

Contract costs should comprise:

* Costs that relate directly to the specific contract.
* Costs that are attributable to contract activity in general and can be allocated to the contract.
* Such other costs are specifically chargeable to the customer under terms of the contract.

**Research and development costs**

Research is a planned investigation undertake with the prospect of gaining new scientific or technical knowledge and understanding.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improve materials,devices,products,processes,systems or services prior to the commencement of commercial production or use.

Research costs

Research costs should be recognised as an expense in the period in which they are incurred and should not be recognised as an asset.

Development costs

Development costs of a project should be recognised as an expense in the period in which they are incurred, unless all the following criteria are met:

* The product or process is clearly defined and the costs attributable to the product or process can be separately identified and reliably.
* The technical feasibility of the produce and market use the product or process.
* The existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise can be demonstrated.
* Adequate resource exists, or their availability can be demonstrated, to complete the project and market or use the product or process.