

# **UThukela District Municipality**



## **Asset Management Policy & Procedure Manual Version 001/2027**

## **Contents**

1	GENERAL INFORMATION .....	4
1.1	GLOSSARY OF TERMS.....	4
1.2	INTRODUCTION .....	5
1.3	ACCOUNTING STANDARDS.....	6
1.4	RELATIONSHIP WITH OTHER POLICIES .....	7
1.5	OBJECTIVES.....	7
1.6	UPDATING THE POLICY .....	7
1.7	APPROVAL AND EFFECTIVE DATE.....	8
1.8	APPLICABILITY OF THE ASSET MANAGEMENT POLICY .....	8
2	ASSET MANAGEMENT POLICY.....	9
2.1	DEFINITIONS .....	9
2.2	ROLES AND RESPONSIBILITIES .....	13
2.2.1	MUNICIPAL MANAGER.....	13
2.2.2	CHIEF FINANCIAL OFFICER .....	13
2.2.3	HEADS OF DEPARTMENT .....	14
2.2.4	DEPARTMENT ASSET CONTROLLER .....	15
2.2.5	DELEGATIONS.....	16
3	ACCOUNTING POLICIES.....	17
3.1	FORMAT OF THE ASSET REGISTER .....	17
3.2	CLASSIFICATION OF ASSETS .....	19
3.2.1	PROPERTY, PLANT AND EQUIPMENT .....	19
3.2.1.1	DEFINITIONS AND RULES.....	19
3.3	PROPERTY, PLANT AND EQUIPMENT.....	22
3.3.1	MEASUREMENT AT RECOGNITION.....	22
3.3.2	MEASUREMENT AFTER RECOGNITION.....	27
3.3.3	SUBSEQUENT EXPENDITURE .....	28
3.3.4	REVALUATIONS OF LAND AND BUILDINGS .....	29
3.3.5	DEPRECIATION.....	31
3.3.6	IMPAIRMENT LOSSES.....	33
3.4	ASSET MANAGEMENT PROCEDURES.....	38
3.4.1	BUDGET PROCESS .....	38
3.4.2	ACQUISITION OF ASSETS.....	38
3.4.3	DISPOSAL OF ASSETS.....	39
3.4.4	DEPARTMENTAL TRANSFERS OF ASSETS .....	42

3.3.5	RESIGNATIONS.....	43
3.3.6	IDENTIFICATION OF ASSETS .....	43
3.5	ASSET REGISTER.....	44
3.6	VERIFICATION OF ASSETS.....	46
3.7	SAFEKEEPING OF ASSETS.....	47
3.8	ALIENATION OF ASSETS (ASSETS HELD-FOR-SALE) .....	50
3.9	REPORTING WRITE-OFFS OF ASSETS .....	50
3.10	MAINTAINANCE.....	51
3.11	POLICY FOR LIFE-CYCLE MANAGEMENT OF IMMOVABLE PPE ASSETS ....	52
3.12	PRIVATE USE OF MUNICIPAL ASSETS.....	56
3.13	REPLACEMENT NORMS.....	56
3.14	INSURANCE OF ASSETS.....	57
3.15	FLEET MANAGEMENT .....	57
3.16	DISPOSAL OF FIREARMS.....	57
3.17	BIOLOGICAL ASSETS .....	57
4	UNBUNDLING OF INFRASTRUCTURE ASSETS STRATEGY .....	57
5	APPENDICES .....	59
5.1	ASSET USEFUL LIVES .....	59
5.2	SPECIMEN ASSET DISPOSAL FORM.....	60
5.3	SPECIMEN ASSET TRANSFER FORM.....	61
5.4	SPECIMEN ASSET CLEARANCE FORM .....	62
5.5	SPECIMEN ASSET WRITE OFF FORM .....	63
5.6	SPECIMEN ASSET REMOVAL FORM .....	64
5.7	SPECIMEN PERSONAL ASSET DECLARATION FORM .....	65
5.8	SPECIMEN ACKNOWLEDGEMENT OF RECEIPT OF ASSET FORM .....	66

# **1 GENERAL INFORMATION**

## **1.1 GLOSSARY OF TERMS**

AC:	Standard reference for South African Generally Recognised Accounting Statement
AMP:	Asset Management Policy
AO:	Accounting Officer (i.e. Municipal Manager)
CFO:	Chief Financial Officer
GRAP:	Generally Recognised Accounting Practice
HOD:	Head of Department
IAS	International Accounting Practice
MFMA:	Municipal Finance Management Act (No. 56 of 2003)
MM:	Municipal Manager (i.e. Accounting Officer)
MSA:	Municipal Systems Act (No. 32 of 2000)
PPE:	Property, Plant and Equipment
SAPS:	South African Police Service
UDM:	Uthukela District Municipality

## **1.2 INTRODUCTION**

Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets. UDM should use assets to affect efficient and effective service delivery to the community within the UThukela District.

The purpose of the Asset Management Policy and Procedure Manual is to govern the management of assets owned by UDM (both operationally and financially) to ensure that they are managed, controlled, safeguarded and used in an efficient and effective manner.

In other words, the purpose of the Asset Management Policy and Procedure Manual is to facilitate the management of assets both operationally and financially (accounting treatment).

### **1.3 ACCOUNTING STANDARDS**

The MFMA requires municipalities to comply with generally recognised accounting practice, in line with international practice. This policy must therefore comply with the accounting framework as issued by the Accounting Standard Board (ASB). Such standards must be read in conjunction with guidelines/practice notes/circulars as issued by Treasury and the ASB.

The following standards of Generally Recognised Accounting Practice (GRAP) significantly impacts on the recognition and measurement of assets within the municipal environment:

GRAP 12 – Inventories

GRAP 13 – Leases *and more specifically, deemed finance leases*

GRAP 16 – Investment Properties

GRAP 17 – Property Plant and Equipment

GRAP 21 – Impairment of non-cash-generating assets

GRAP 26 – Impairment of cash-generating assets

GRAP 27 – Agriculture

GRAP 31 – Intangible assets *and more specifically the treatment of items of software*

GRAP 100 – Non-current assets held for sale and Discontinued Operations

GRAP 103 – Heritage assets

IGRAP 1– Applying The Probability Test On Initial Recognition of Revenue

IGRAP 8 – Agreements for the Construction of Assets from Exchange Transactions

IGRAP 18 – Recognition and Derecognition of Land

## **1.4 RELATIONSHIP WITH OTHER POLICIES**

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

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

- Delegations Policy – Identifying the processes surrounding the establishment of delegated authority.
- SCM policy – Regulating all processes and procedures relating to acquisitions.
- Budget policy – The processes to be followed during the budget process as well as pre-determined prioritisation methodology,
- Accounting Policies – Governed by the Accounting standards, the accounting policies determine the basis recognition, measurement and recording of all transactions.
- Risk Management Policy – The policy promotes effective and efficient asset utilisation.

## **1.5 OBJECTIVES**

The objective of this policy is for the municipality to:

- Ensure that all assets are effectively and efficiently controlled, utilised, safeguarded, and managed.
- Accurately record and effectively control and account for all UDM assets
- Comply with municipal legislation and accounting standards
- Comply with accounting policies and standards
- Provide management information on assets
- Ensure Asset Controllers are aware of their responsibilities with regards to assets.

## **1.6 UPDATING THE POLICY**

This policy will be updated periodically, whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of assets.

Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the CFO in consultation with the Asset Manager and respective HODs. The recommendations of the CFO shall be considered for adoption by Council.

Preparation of detailed procedures shall be delegated by the CFO in consultation with the Asset Manager and HODs, to give effect to this policy.

## **1.7 APPROVAL AND EFFECTIVE DATE**

The CFO is responsible for the submission of this document to Council to consider its adoption after consultation with the Municipal Manager. Council shall indicate the effective date for implementation of the policy.

## **1.8 APPLICABILITY OF THE ASSET MANAGEMENT POLICY**

This policy is applicable to the municipality, all the councillors and staff (executive, senior and general).

### **Implementation and Monitoring**

#### **Implementation**

The Finance Department has a responsibility for upholding UDM's Asset Management Policy (AMP). Line managers are responsible for complying with the policy.

#### **Monitoring**

The CFO shall monitor and report on compliance with this policy.

### **Enforcement**

All HODs and Managers shall ensure that these provisions are strictly complied with.

Employees themselves shall ensure that the policy is adhered to and disciplinary action shall be taken against officials who do not comply with the policy.

## 2 ASSET MANAGEMENT POLICY

### 2.1 DEFINITIONS

TERM	STANDARD	DETAILS
Asset	GRAP 1 & 17	<p>Assets are resources <b>controlled</b> by an entity as a <b>result of past events</b> and from which <b>future economic benefits</b> or service potential are expected to flow to the entity.</p> <ul style="list-style-type: none"> <li>✓ <b>Future economic benefits:</b> The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents of the operating activities.</li> <li>✓ <b>Control:</b> The ability to control the benefits which are expected to flow to the entity. It's not limited to legal title.</li> </ul>
Non-Current Asset		Non-current assets are assets with an expected useful life of greater than 12 months.
PPE	GRAP 17	<p>Property, plant and equipment (PPE) are tangible assets:</p> <ul style="list-style-type: none"> <li>✓ That are held for use in the production or supply of goods or services,</li> <li>✓ That are held for rentals to other, or for administrative purposes;</li> <li>✓ Are expected to be used during more than one period.</li> <li>✓ This includes items necessary for environment or safety reasons to leverage the economic benefits or service potential from other assets. Insignificant items may be aggregated. Property, plant and equipment are broken down into groups of assets of a similar nature or function in the municipality's operations for the purpose of disclosure in the financial statements.</li> </ul>
Immovable PPE		<ul style="list-style-type: none"> <li>✓ Immovable PPE are structures such as buildings and infrastructure assets.</li> <li>✓ A plant that is built-in to the structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).</li> </ul>
Asset Management	n/a	Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets.

TERM	STANDARD	DETAILS
Biological assets	GRAP 101	A biological asset is a living animal or plant.
Carrying amount	GRAP 17	Carrying amount is the amount at which an asset is recognised (in the Statement of Financial Position) after deducting any accumulated depreciation and accumulated impairment losses.
Community assets		Fixed assets which contribute to the community's wellbeing.
Cost		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.
Heritage assets	GRAP 103	Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
Inventory	GRAP 2	Inventories are assets: <ul style="list-style-type: none"> <li>✓ in the form of materials or supplies to be consumed in the production process,</li> <li>✓ in the form of materials or supplies to be consumed or distributed in the rendering of services,</li> <li>✓ held for sale or distribution in the ordinary course of operations, or</li> <li>✓ in the process of production for sale or distribution.</li> </ul>
Investment property	GRAP 16	Investment property is 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: <ul style="list-style-type: none"> <li>✓ use in the production or supply of goods or services or for administrative purposes, or</li> <li>✓ Sale in the ordinary course of operations.</li> </ul>
Owner-occupied property	GRAP 17	Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

TERM	STANDARD	DETAILS
Recoverable amount	GRAP 17 GRAP 26	Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
Useful life	GRAP 17	Useful life is: (a) the period over which an asset is expected to be available for use by an entity, or (b) the number of production or similar units expected to be obtained from the asset by an entity.
Capital Assets	NT Asset Management Guide	Capital Assets are all assets with a life cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network, furniture, motor vehicles, computer equipment, etc.), intangible assets, and investment property.

**a) Policy statement**

The municipality shall recognise all assets existing at the time of adoption of this policy and the acquisition or development of new, upgraded and renewed assets on an on-going basis. Such assets shall be capitalised in compliance with prevailing accounting standards. All acquisition must take place in terms of the "Delegation of Authority" and SCM policy of the municipality. Acquisition of Assets must be approved by the relevant head of department and must be in terms of the overall strategic objectives of the municipality. The acquirer must complete the requisition form that must then be approved by the head of department. This will then be submitted to supply chain to follow the normal SCM process.

The main sources of finance to be used to acquire assets will be as follows:

- ✓ Grants, subsidies and public contributions
- ✓ Revenue contributions
- ✓ Cash surplus
- ✓ Finance Leases
- ✓ Donation

### **Responsibilities**

- The CFO, in consultation with the Municipal Manager and HODs, shall determine effective procedures for the acquisition and/or recognition of existing and new assets.
- Every HOD shall ensure that an asset “acquirer” completes a requisition form before acquisition of an asset. HODs shall be responsible for approval of asset acquisitions in terms of the overall strategic objectives of the municipality.
- Every HOD shall ensure that all assets under their control are correctly recognised as assets.
- Asset Controllers shall ensure that the acquisition/construction of assets complies with all municipal policies and procedures.
- Asset Controllers shall ensure the all movable assets are duly processed, identified and bar-coded (where appropriate) before it is received into their stewardship
- The Municipal Manager may make recommendations to the Council as to the threshold monetary value for assets for which accelerated depreciation shall apply.
- The CFO shall keep a Finance lease register with the following minimum information: name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.

## **2.2 ROLES AND RESPONSIBILITIES**

### **2.2.1 MUNICIPAL MANAGER**

#### **Responsibilities**

The Municipal Manager is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The Municipal Manager shall ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's assets are valued in accordance with the standards of Generally Recognised Accounting Practice (GRAP);
- The municipality has and maintains a system of internal control for assets, including an asset register; and
- The Heads of Departments (HODs) and their teams comply with this policy.

As accounting officer of the municipality, the Municipal Manager shall be principal custodian of the entire municipality's assets, and shall be responsible for ensuring that Council effectively applies this policy on adoption. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the CFO and HODs, of procedures to effectively and efficiently apply this policy

### **2.2.2 CHIEF FINANCIAL OFFICER**

The Chief Financial Officer (CFO) is responsible to the Municipal Manager to ensure that the financial investments in the municipality's assets are safeguarded and maintained.

The CFO, as one of the HODs of the municipality, shall also ensure, in exercising his financial responsibilities that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilised effectively, efficiently, economical and transparently;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the municipality is collected, for example rental income relating to immovable assets;

- The systems, procedure and registers required to substantiate the financial values of the municipalities assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilised through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.
- The HODs and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- The Asset Management Policy (AMP) is reviewed on a periodic basis to ensure alignment with legislative and prescriptive guidelines;
- This policy and support procedures are established, maintained and effectively communicated.
- A detailed action plan is developed for the periodic review of immovable assets and annual review/verification of movable assets; and that this action plan is effectively followed.

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be asset registrar of the municipality and shall ensure that a complete, accurate and up-to-date computerised asset register is maintained. No amendments, deletions or additions to the asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

### **2.2.3 HEADS OF DEPARTMENT**

HODs (the managers directly accountable to the Municipal Manager) shall ensure that:

- The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently. This would include:
  - Developing appropriate asset management systems, procedures, processes and controls for managing assets,
  - Providing accurate, reliable and up to date account of assets under their control,
  - The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the municipality's strategic objectives.

- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be input to the municipal asset register;
- Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- The asset management system, processes and controls can provide an accurate, reliable and up to date account of immovable assets under their control;
- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and
- Manage the asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.

The Heads of Departments (HODs) may delegate or otherwise assign responsibility for performing these functions but they shall remain accountable for ensuring these activities are performed.

**The HOD must nominate an employee to implement and maintain asset control (i.e. Departmental Asset Controller) in his/her directorate / department. The Finance Department must be notified of such person.**

It is the responsibility of the HOD to ensure that all asset related changes that take place within their divisions/directorates have been properly authorised and communicated to the Department Asset Controller.

#### **2.2.4 DEPARTMENT ASSET CONTROLLER**

The "Departmental Asset Controller", under the supervision and authority of the HOD, must ensure that:

- All information needed by the Budget and Treasury Office to compile and update the Asset Register, is circulated to the said Department.
- The HOD and Finance Department (after approval of the HOD) is notified of any changes in the status of the assets under the directorates/departments control (e.g. new asset purchases, asset transfers, asset impairments and asset disposals).
- The inventory and/or assets of the UDM are not used for private enterprise and gain by any employee/Councillor.
- Control is exercised over the respective department's assets and shall report any

enhancement/improvement, transfer or disposal of the respective department's assets to the Finance Department.

- Relevant reports on the writing off of scrap (in case of vehicles) and the theft/loss (in the case of other assets) are submitted to the Finance Department.
- Any discrepancies in the asset stock take report are followed up.
- All assets within the department are recorded on the asset register and are bar coded.
- Administer cyclical counts on assets within the respective department and follow up on any discrepancies.

### **2.2.5 DELEGATIONS**

All delegated authority must comply with the Delegations of Authority Policy.

## **3 ACCOUNTING POLICIES**

### **3.1 FORMAT OF THE 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 Local Government Asset Management Guideline).

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset
- the department(s) or vote(s) within which the assets will be used
- the 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
- the original cost, or the revalued amount determined in compliance with, or the fair value if no costs are available
- where applicable, the (last) revaluation date of the fixed assets subject to revaluation
- where applicable, the revalued value of such fixed assets
- where applicable, 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
- the current insurance arrangements (where applicable, replacement values)
- 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

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

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 fixed assets register at its original cost (including capitalised borrowing costs, where applicable), or if no such cost is available, at a fair value determined by the chief financial officer.

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

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

**Investment property** shall be recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

**PPE treated as inventories** shall be recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

**Major spare parts and stand-by equipment** should be bar-coded and recorded in the asset register.

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

An asset shall remain in the asset register for as long as it is in physical existence.

## **3.2 CLASSIFICATION OF ASSETS**

The CFO must ensure that all assets are, as prescribed by the current standards, classified under the following headings in the asset register.

### **3.2.1 PROPERTY, PLANT AND EQUIPMENT**

PPE are classified as follows in terms of GRAP 17:

#### **3.2.1.1 DEFINITIONS AND RULES**

##### **1. Asset Categories**

The accounting categories of assets are as follows:

1. Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations, that is shown as a single class for the purposes of disclosure in the financial statements);
2. Heritage assets;
3. Investment property;
4. Intangible assets; and

##### **2. Class of PPE**

A class of PPE is defined as a group of assets of a similar nature or function in the municipality's operations. The total balance of each class of assets is disclosed in the notes to the financial statement.

##### **3. PPE asset hierarchy**

An assets hierarchy is adopted for PPE which enables separate accounting of parts (or components) of the asset that are considered significant to the municipality from a financial point of view, and for other reasons determined by the municipality including risk management (in other words, taking into account the criticality of components) and alignment with the strategy adopted by the municipality in asset renewal (for example the extent of replacement or rehabilitation at the end of life). In addition, the municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and component.

##### **4. PPE Infrastructure**

Some assets are commonly described as "infrastructure assets". While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

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

### **5. PPE Community Property**

Community property assets are immovable assets contributing to the general well-being of the community, such as community halls and recreation facilities.

### **6. PPE Building Property**

PPE building property assets are buildings that are used for municipal operations such as administration building and rental stock or housing not held for capital gain.

### **7. PPE other assets**

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

### **8. Investment Property**

Investment property is defined as property (land and/or a building, or a part thereof) held (by the owner or 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 administration purposes or sale in the ordinary course of operation). Examples of investment property are office parks, shopping centres or housing financed and managed by a municipality (or jointly with other parties). There is no asset hierarchy for investment property; each functional item will be individually recorder. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

### **9. Intangible Assets**

Intangible assets are defined as identifiable non-monetary assets without physical substance. Example are licenses/right, (such as water licenses), servitudes and software.

### **10. Heritage Assets**

Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and work of art. Some heritage assets have more than one purpose, e.g. a historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality needs to determine whether the significant portion of the asset meets the definition of a heritage asset. The entity must use its judgement to make such assessment. The asset should be accounted for as a heritage asset if, and only, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. If a significant portion is used for production, administrative purpose or supply of services or goods, the asset shall be accounted for in accordance with GRAP 17 on PPE.

In the case of an asset not appearing in the adopted classification structure, a classification that is most closely comparable to the asset in question is used.

**a) Policy Statement**

The asset classification specified by GRAP shall be adhered to as a minimum standard. The following extended asset classification, with prescribed categories and sub-categories, shall be adopted:

<b>Accounting Group</b>	<b>Asset Category</b>	<b>Asset Sub-category</b>
Property, plant and equipment	Infrastructure	<ul style="list-style-type: none"> <li>• Water and reticulation schemes</li> <li>• Sewerage purification</li> </ul> Electricity network
	Community Assets	Community facilities
		Sport and recreation facilities
	Staff Housing	All housing buildings
	Land	Infrastructure land
		Community assets' land
		Heritage assets' land
		Other assets' land
		Housing land
	Operational buildings	Office buildings
	Other assets	Vehicles
		Operational plant and equipment
		Office equipment
Furniture and fittings		
Computer equipment		
Heritage assets	Monuments	
	Historic buildings	
	Works of art	
	Conservation areas	
Investment property	Commercial property (market related rentals charged)	
	Residential property (market related rentals charged)	
	Land with undetermined use	
Intangible Assets	Servitudes	
	Statutory licenses	
	Software	

Asset hierarchies shall be adopted for each of the asset groups, separately identifying items at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant.

**b) Responsibilities**

- The CFO shall ensure that the classification of assets adopted by the municipality complies with the statutory requirements.
- The CFO shall consult with the HODs responsible for assets to determine an effective and appropriate asset hierarchy for each class of assets to component level and record such in the AM procedures document.
- Every HOD shall ensure that all assets under their control are classified correctly.
- Every HOD shall advise the CFO when assets should be re-classified.

### **3.3 PROPERTY, PLANT AND EQUIPMENT**

#### **3.3.1 MEASUREMENT AT RECOGNITION**

**a) Definitions and rules**

**1. Measurement at recognition of PPE**

An item of PPE that qualifies for recognition is measured at cost. Where an asset is required at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as on recognising PPE for which there are no records or records cannot be linked to specific assets, its cost is deemed to be its fair value.

**2. Measurement at recognition of heritage assets**

Heritage assets will be measured at cost at initial recognition. However, where a heritage asset was acquired through a non-exchange transaction its cost is its fair value at the date of acquisition.

**3. Measurement at recognition of investment property**

Investment property will be measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.

**4. Measurement at recognition of intangible assets**

Intangible assets will be measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

### **5. Fair Value**

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for asset (for example: land and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciation replacement cost (DRC) approach may be used. Assessment of fair values is to be made by a professional with qualifications and appropriate knowledge and experience in valuation of the respective assets.

### **6. Cost of an item of infrastructure**

The capitalisation value comprises (i) purchase price and (ii) any directly attributable cost necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the municipality should capitalise the cost of the asset together with VAT).

### **7. Cost associated with heritage assets**

Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.

### **8. Directly Attributable Costs**

Directly attributable costs are defined as:

- Cost of employee benefits arising directly from the construction or acquisition of the item.
- Costs of site preparation;
- Initial delivery and handling;
- Installation and assembly costs, cost of testing whether the asset is functioning properly, after deduction the net proceeds from selling any item produced while bringing the asset to that location and condition;
- Commissioning (cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling an item produced while bringing the asset to its current condition and location); and
- Professional fees (for example associated with design fees, supervision, and environmental impact assessments)(in the case of all asset classes)

**9. Changes in the existing decommissioning costs or Restoration costs included in the costs of an item**

Changes in the measurement of an existing decommissioning cost or restoration cost as a result of changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, should be treated as follows:

If the cost model is used-

- Changes in the liability shall be added to or deducted from the cost of the related asset.
- If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an additional to the cost of an asset, the municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the municipality should test the asset for impairment.

If the revaluation model is used-

- A decrease in the liability shall be credited to the revaluation surplus, except that it shall be recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the surplus or deficit; and
- An increase in the liability shall be recognised in surplus or deficit, except that it shall be debited to the revaluation surplus to the extent that any credit balance may exist in the revaluation surplus in respect of asset.
- If the decrease in liability exceeds the carrying amount that would have recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit.
- If the change in liability is an indication the asset may have to be re-valued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to surplus or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.

**10. Exchanges of Assets**

In cases where assets are exchanged, the cost is deemed to be fair value of the acquired asset and the disposed asset is de-recognised. If the acquired asset is not measured at its fair value, its cost price will be the carrying amount of the asset given up.

### **11. Finance Leases**

A finance lease is recognised by the municipality (the lessee) at the commencement of a lease as an asset and liability in the statement of financial position at 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.

### **12. Depreciated replacement cost**

The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful life (RUL) of each of the asset components. The CRC is the product of a unit rate and the extent of the component and represents the cost of replacing the asset, and in cases where the existing asset is obsolete, the replacement with a modern equivalent. The depreciable portion cost (DRC) is established by proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life.

Accordingly, the following formula is used:

$$\text{DRC} = (\text{CRC} - \text{RV}) \times \text{RUL} / \text{EUL} + \text{RV}$$

Capital unit costs vary from site to site and provision is made for site specific influencing factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as "supply-and-demand", economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of assets for escalation to the valuation date are applied.

### **13. Self-constructed PPE**

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality. All assets that can be classified as assets and that are constructed by the municipality should be recorded in the asset register and each component that is part of this asset should be depreciated over its estimated useful life for that category of asset. Proper records are kept such that all costs associated with the construction of these are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

### **14. Construction of future investment property**

If property is developed for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use- then it shall be classified

as an investment property.

### **15. Borrowing costs**

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings; amortisation of premiums or discounts associated with such borrowings; amortisation of ancillary costs incurred in connection with the arrangement of borrowings; finance charges in respect of finance leases and foreign exchange differences arising from foreign borrowings when these are regarded as an adjustment to interest costs. Borrowing costs shall be capitalised if related to construction of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) and external funding is sourced to fund the project, i.e.: interest during construction.

In the following cases it is inappropriate to capitalise borrowing costs:

- It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded i.e. capital or current. In such case, the municipality shall expense those borrowing costs related to a qualifying asset directly to the statement of financial; performance.
- In exceptional cases the municipality is allowed to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. It may be difficult for the municipality to identify a direct relationship between an asset and borrowing costs incurred because the financial activity is controlled centrally and it will not always be possible to keep track of the specific borrowing costs which should be allocated to the qualifying asset. As a reasonable effort and cost may outweigh the benefit of presenting the information, making it inappropriate to capitalise the borrowing cost.

### **16. Deferred payment**

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit unless such interest is recognised in the carrying value of the asset in accordance with the allowed alternative treatment in GRAP 5 on Borrowing Costs.

#### ***b) Policy Statement***

An asset that qualifies for recognition shall be capitalised at cost. Interest on deferred payment will be expensed.

In cases where complete data is not available or cannot be reliably linked to specific assets:-

- The fair value of PPE infrastructure, community property and building property shall be adopted on the recognition at a fair measurement cost.
- If the cost of heritage assets cannot be measured reliably, this should be disclosed in the notes to the financial statements together with a description of the nature of the asset.
- Investment property and intangible assets shall be measured at fair value on date of acquisition.

**c) Responsibilities**

- The CFO, in consultation with the Municipal Manager and HODs, shall determine effective procedures for the capitalisation of assets on recognition.
- Every HOD shall ensure that all assets under their control are correctly capitalised.

### **3.3.2 MEASUREMENT AFTER RECOGNITION**

**a) Definitions and Rules**

**1.Options**

Accounting standards allow measurement after recognition of assets as follows:

- PPE, Heritage assets and Intangible assets: on either a cost or revaluation model; and
- Investment Property: either cost model or the fair value model.

Different models can be applied, providing the treatment is consistent per asset class.

**2. Cost Model**

When the cost model is adopted, an asset is carried after recognition at its cost less any accumulated depreciation and any accumulated impairment losses.

**3. Revaluation Model**

When the revaluation model is adopted an asset is carried after recognition at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are 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. When revaluations are conducted, the entire class of assets should be re-valued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations if the re-valued amount decrease from the previous re-valued amount) in the Revaluation Reserve.

The revaluation surplus is transferred to the Accumulated Surplus (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced)

depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account. An adjustment of the aggregate transfer is made at the end of each financial year. If carrying amount based on the revaluation is less than the carrying value of the immovable asset recorded in the asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the immovable asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation. Such additional depreciation expenses form a charge, in the first instance, against the balance in any Revaluation Reserve previously created for such asset, and to the extent that such balance is sufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question in.

#### **4. Investment Property**

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The gain or loss from the change in fair the fair value of investment property shall be included in the surplus or deficit for the period in which it arises. The fair value of the investment property shall reflect market conditions at the date. Investment property shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year.

#### **5. Statutory inspections**

The cost of a statutory inspection that is required for the municipality to continue to operate immovable PPE is recognised at the time the cost is incurred, and any pervious statutory inspection cost is de-recognised

### **3.3.3 SUBSEQUENT EXPENDITURE**

Expenses incurred in the enhancement of assets (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 assets are capitalised. Such expenses are recognised once the municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) - prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of assets that ensures that the useful operating life of the asset is attained, are considered as operating expenses and not capitalised, irrespective of the quantum of the expenses concerned.

#### **b) Spares**

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Standard when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory in accordance with the Standard of GRAP on

Inventories (GRAP 12)

**c) Policy Statement**

Measurement after recognition shall be on the following:

- Land and Buildings PPE: Cost Model
- All other PPE: Cost Model.
- Investment Property: Fair value Model (values established in each update of the Valuation Roll).
- Intangible Assets: Cost Model.
- Heritage Assets: Cost Model.

**d) Responsibilities**

- The CFO, in consultation with the Municipal Manager and HODs, shall determine effective procedures for the capitalisation of assets on recognition.
- Every HOD shall ensure that all assets under their control are correctly capitalised.
- The CFO shall create a revaluation reserve for assets that have been re-valued equal to the difference between the value as determined by an independent qualified valuer and the carrying value of the asset in the asset register.

### **3.3.4 REVALUATIONS OF INVESTMENT PROPERTY**

#### **1. Determination of the fair value**

For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land and non- specialised buildings.

#### **2. Frequency of revaluations**

The decision to revalue assets shall be determined by the chief financial officer, which revaluation shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The frequency of revaluations, once a decision has been taken to revalue assets, depends upon the movements in the fair values of investment property being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some investment property may experience significant and volatile movements in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for investment property with only insignificant movements in fair value. Instead, revaluation every three or five years may be sufficient.

#### **Treatment of accumulated depreciation on revaluation**

**Example**

UDM purchases an asset costing R100 000 on 1.7.06. The asset is:

- Depreciated on a straight line basis over 10 years
- Revalued every 4 years

The gross replacement cost on the first date of revaluation (1.7.10) is R250 000.

**Answer**

**1.7.10**

Dr	Asset – revaluation	150 000	
	Accumulated depreciation	40 000	
Cr	Accumulated depreciation– revaluation		100 000
	Revaluation surplus		90 000

**Calculations**

Carrying amount prior to revaluation

Cost	100 000
Accumulated depreciation (100 000 x 10% x 4 years)	<u>(40 000)</u>
Carrying amount	60 000

Carrying amount after revaluation

Replacement cost	250 000
Accumulated depreciation (250 000 x 10% x 4 years)	<u>(100 000)</u>
Carrying amount	150 000

Therefore, the revaluation surplus is 90 000 (150 000 – 60 000)

**3. Classes of property**

A class is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

- a) Land,
- b) Operational buildings,
- c) Office buildings,
- d) Roads,
- e) Machinery,
- f) Electricity transmission networks,
- g) Motor vehicles,
- h) Furniture and fixtures, and
- i) Office equipment
- j) Computer Equipment

### **3.3.5 DEPRECIATION**

#### **a) *Definition and Rules***

##### **1. Depreciation**

Depreciation is the systematic allocation of the depreciable amount of an asset over its remaining useful life. The amortisation of intangible assets is identical.

Land is considered to have unlimited life; therefore it is not depreciated. Heritage assets are also not depreciated.

##### **2. Residual value**

The residual value is the estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

In the case of assets measured after recognition on the cost model, the percentage is of the initial cost of acquisition. In the case of assets measured after recognition on the revaluation model, the percentage is of the modern equivalent replacement value. The municipality would 10% on moveable assets and zero percentage on infrastructure assets.

##### **3. Depreciation Method**

Depreciation of assets is applied at the component level. A range of depreciation methods exist and can be selected to model consumption of service potential or economic benefit (for example the straight line method, diminishing amount method, percentage on reducing balance method, sum of the year digits method, production unit method). The approach used should reflect the consumption of the future economic benefits or services potential, and should be reviewed annually where there has been a change in the pattern of consumption.

##### **4. Remaining useful life**

The remaining useful life of a depreciable asset is the time remaining until an asset ceases to provide required standard of performance or economic usefulness.

The remaining useful life of all depreciable assets at initial recognition is the same as the expected useful life indicated. These figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions and operating conditions), the life-cycle strategy of the municipality, potential technical obsolescence, and legal limits on the use of the assets.

**5. Review of remaining useful life**

An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation and amortisation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

**6. Depreciation charge**

Depreciation starts once an asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when it is de-recognised. Depreciation is initially calculated from the day when an asset item is acquired or - in the case of construction works and plants and machinery - the day in which the asset is available for use, until the end of the calendar month concerned. Therefore, depreciation charges are calculated monthly.

**7. Carrying Amount**

The carrying amount is the cost price/fair value amount after deducting any accumulated depreciation and accumulated impairment losses.

**8. Spares**

The depreciation of capital spares commences immediately when it is available and in the location and condition necessary for it to be capable of operating in the manner intended by management. The depreciation continues once they are placed in services, or subsequently removed from services.

**9. Finance Lease**

Depreciation assets financed through a finance lease will give rise to a depreciation expense and finance cost which will occur for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with GRAP 17 on Property, Plant and Equipment. If there is no reasonable certainty that the municipality will obtain ownership by

the end of the lease term, the asset will be fully depreciated over the shorter of the lease term and the asset's useful life.

**b) Policy Statement**

All PPE, except land shall be depreciated over their remaining useful lives. Intangible assets (except servitudes) will be amortised over their remaining useful life. The method of depreciation shall be reviewed on an annual basis, though the straight line basis shall be used in all cases unless Council determines otherwise.

**c) Responsibilities**

- Every HOD shall ensure that a budgetary provision is made for the depreciation of assets under their control in the ensuing financial year, in consultation with the CFO.
- The CFO shall indicate an annual date for the review of the remaining useful life of assets under the control of the respective HODs.
- Every HOD shall annually review the expected useful life and residual values, the depreciation / amortisation method of assets that are under their control, and motivate to the Municipal Manager and CFO any adjustments if, in the judgement of the HOD, such are not considered appropriate. Changes should not be made on a continuous basis because the accounting principle of consistency would be violated.
- The CFO shall report changes made to the remaining useful life of assets in the asset register to the Municipal Manager and Council.

### **3.3.6 IMPAIRMENT LOSSES**

**a) Definition and Rules**

**1. Impairment**

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the assets future economic benefits or service potential through depreciation.

**2. Indications of impairment**

The municipality must review assets for impairment when one of the indicators below but not limited to; occurs. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

*External Sources of Information:*

- Decline or cessation in demand;
- Changes in the technological. Legal or government policy environment;

- The carrying amount on the net assets of the entity is more than its market capitalisation; or
- Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount materially.
- A halt in construction could indicate impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

*Internal Sources of Information:*

- Evidence of Physical Damage;
- Evidence of obsolescence;
- Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- The actual net cash flow or operating profit or loss flowing from an asset at significantly worse than those budgeted;
- A significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss; flowing from the asset; or
- Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.
- Other indications, such as loss of market value.

**3. Impairment of projects under construction**

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postpones to a specific future date, the project may be treated as work in progress and is not considered as halted.

**4. Intangible assets**

The municipality must test all intangible assets not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period when the indication exist.

**5. Significant and Enduring nature**

The municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance

must be recorded. Where there are indications of impairment, the municipality must estimate the recoverable services amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

#### **6. Impairment loss**

An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.

An impairment loss of a cash-generating unit (smallest group of assets that generate cash flows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

#### **7. Non-cash generating units**

Non-cash-generating units are those assets (or group of assets) that are not held the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit. The recoverable amount is the higher of the assets fair value less cost to sell and its value in use. It may be possible to determine the fair value even if the asset is not traded in an active market. If there is no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount that an entity could obtain. However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable. For non-cash regenerating assets which are held on an on-going basis to provide specialised services or public goods to the community, the value in use of the assets is likely to be greater than the fair value less cost to sell. In such cases the municipality may use the assets value in use as its recorvable service amount. The value in use of non-cash regenerating unit/asset is defined as the present value of the assets remaining service potential. This can be determined using any of the following approaches:

- The Depreciated Replacement Cost (DRC) approach (and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciation Replacement Cost (ODRC) approach may be used);
- The restoration cost approach (the Depreciation Replacement Cost less cost of restoration) - usually used in cases where there has been physical damage; or

- The service unit approach (which could be used for example where a production units model of depreciation is used).

Where the present value of an asset's remaining service potential (determined as indicated above) exceeds the carrying value, the asset is not impaired - this will normally be the case unless there has been a significant and enduring event as indicated above.

#### **8. Cash-generating unit**

Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agent fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and the net cash flows to be received (or paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

#### **9. Judgement**

The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be non-cash generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating or a cash-generating asset. Judgement is needed in these circumstances.

#### **10. Recognition of impairment**

The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the assets revised

carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow ab asset, it is derecognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, is debited to the Standard of Financial Performance as a “Loss on Disposal of Asset”.

In the event of compensation received for damage to an item of immovable PPE, the compensation is considered as the assets ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/de-recognised.

**11. Reversing the impairment loss**

The municipality must assess each year from the source of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increase to its recoverable amount (providing that it does not exceed the carrying amount that would have determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

**b) Policy Statement**

Impairment of assets shall be recognised as an expense in the Statement of Financial Performance when it occurs. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

In this regard, the municipality considers itself an entity whose primary objective is to provide goods and services for community or social benefits, and where positive cash flows are generated (such as from sale of trading services such as water services), these are with view to support the primary objective rather than for financial return to equity holders. Consequently the municipality adopts the impairment treatment for non-cash generating units in the impairment of its PPE, Heritage assets and Intangible assets.

**c) Responsibilities**

- The CFO shall indicate an annual date for the review of any impairment that may have occurred on assets under the control of the respective HODs.
- The HODs shall review any impairment on the assets under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material negative effect on the performance of these assets. The HODs shall motivate to the CFO proposed changes to the performance

of such assets and the necessary impairment that needs to be recognised on such assts.

- The HODs shall evaluate all assets for impairment, taking into consideration any discussions with Senior Accountants and Operating Managers.
- The Asset Register Administrator shall update the asset register with the information received, relating to the impairment, from the financial system where the impairment journal has been processed.
- The CFO shall report changes made to the carrying value of these assets in the asset register to the Municipal Manager and Council.

### **3.4 ASSET MANAGEMENT PROCEDURES**

#### **3.4.1. BUDGET PROCESS**

Each HOD, acting in consultation with the CFO, shall:

- Prepare an annual budget for the acquisition of assets and the maintenance of assets.
- Ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

#### **3.4.2. ACQUISITION OF ASSETS**

The process to be followed when assets are acquired shall be in accordance with the Council's Supply Chain Management Policy and Manual, Delegation of Authority Policies and Payment Procedures. This shall apply to all the types of Council's assets as contained in this Policy.

All assets to be purchased should be in terms of the approved budget.

Depending on the amount of the asset to be purchased and after the necessary authorisation has been obtained the following procedure for purchasing an asset must be followed:

- Requisition to be completed and signed by person requesting the asset.
- Quotations must be obtained in terms of the Supply Chain Management Policy.
- Authority in terms of Delegated Powers to Officials must be reflected on the requisition.
  - The bidding process procedures will apply in terms of the MFMA Municipal SCM Regulations and the UDM SCM Policy.
  - The HOD/MM should sign the requisition as authorisation where the asset is acquired within their delegated authority.
- Quotations must be attached to the relevant requisition and submitted to Budget and

Treasury Office.

- Budget and Treasury Office: SCM Section must generate and issue the order.
- For all assets acquired, the HOD should notify the Insurance Claims Clerk on delivery to provide immediate cover. It is the responsibility of the HOD to ensure that the purchased capital asset has been covered for insurance purposes.
- On receipt of the purchased asset, the recipient should inspect the asset and once satisfied endorse the delivery note or invoice and forward it to Budget and Treasury Office.
- The recipient should immediately inform the asset management unit: Budget and Treasury Office that the asset has been delivered for the purpose of bar coding.
- The recipient's inventory list should be updated and a signed copy be kept by Budget and Treasury Office.

Each HOD should provide budget and treasury office with a monthly report on asset movements. The reporting must also apply to the following:

- Donations.
- Additions / Improvements (refers to immovable assets).
- Auctions.
- Loss or damage.
- Transfers.
- Write-offs
- Land sales.

### **Heads of Departments**

HOD's shall ensure:

- At all times that there are enough funds in the budget before approval of any requisitions.
- That the correct vote and descriptions are being used before authorising any requisitions.

### **3.4.3. DISPOSAL OF ASSETS**

All assets are to be disposed of in 4 ways, for example:

<b>Asset Management Policy</b>	<b>Link to Supply Chain Management Policy (Disposal Management)</b>
By dumping at a tip site after approval by HOD concerned if the item is damaged beyond repair	Destroying the asset
Public tender for the disposal of property or letting of assets (including unserviceable, redundant or obsolete assets subject to section 14 and 90 of the MFMA)	selling the asset
Auctioning	selling the asset
Donation	<ul style="list-style-type: none"> <li>• transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets</li> <li>• transferring the asset to another organ of state at market related value or, when appropriate, free of charge</li> </ul>

The Director: Administration in conjunction with the Supply Chain Manager should direct the disposal process.

### **Municipal Finance Management Act requirements for the disposal of capital assets**

The ***disposal of capital assets***, in terms of section 14 of Municipal Finance Management Act (No. 56 of 2003), specify the following requirements:

- 1) Capital assets needed to provide the minimum level of basic municipal services may not be disposed of.
- 2) Capital assets (other than those mentioned in 1) may only be disposed of after the municipal council in a meeting open to the public:
  - a. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal service, and
  - b. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- 3) Any decision made by the municipal council that the specific capital asset is not needed to provide the minimum level of basic municipal service may not be reversed by the municipality after the asset has been disposed of.
- 4) The municipal council may delegate its power to make the decision in 2(a) and (b) for movable capital assets to the MM subject to limits (e.g. R5 000) prescribed by the

municipal council.

- 5) Any transfer of ownership (disposal) must be fair, equitable, transparent, competitive and consistent with the supply chain management policy.
- 6) The above does not apply to transfers of capital assets to another municipality, municipal entity, national or provincial organ of state provided that the transfers are in accordance with the prescribed framework.

### **Disposal procedures**

After the necessary authorisation has been obtained, the following procedure for disposing of an asset must be followed:

<b>Disposal procedure</b>	<b>Type of disposal</b>
<ul style="list-style-type: none"> <li>• A staff member identifies the asset(s) to be disposed of (obsolete, redundant, transferred, and other).</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>
<ul style="list-style-type: none"> <li>• HOD concerned approves the status of the item.</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>
<ul style="list-style-type: none"> <li>• A request to dispose of the asset and the proposed method of disposal must be sent to the Asset Disposal Committee.</li> <li>• The Municipal Asset Disposal Committee should inspect all redundant items and provide recommendations to Budget and treasury office to approve the disposal.</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> <li>• Disposal of unserviceable, redundant, obsolete and damaged assets</li> </ul>
<ul style="list-style-type: none"> <li>• The Finance Department will table the item as per the recommendations of the Asset Disposal Committee at the council portfolio committee for consideration.</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>
<ul style="list-style-type: none"> <li>• Once the Council approval has been received, the asset register will be adjusted accordingly.</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>
<ul style="list-style-type: none"> <li>• The asset (s) should be taken to safe house or place for storage until they are dispose off.</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>
<ul style="list-style-type: none"> <li>• </li> </ul>	<ul style="list-style-type: none"> <li>• </li> </ul>
<ul style="list-style-type: none"> <li>• Once the council approval has been received, the asset register will be adjusted accordingly.</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>
<ul style="list-style-type: none"> <li>• The proposed method as per the council resolution should be followed.</li> </ul>	<ul style="list-style-type: none"> <li>• Disposal of redundant and obsolete assets.</li> <li>• Disposal by auction or Donation</li> </ul>
<ul style="list-style-type: none"> <li>• Once the council approval has been received, the</li> </ul>	<ul style="list-style-type: none"> <li>• All</li> </ul>

<b>Disposal procedure</b>	<b>Type of disposal</b>
asset register will be adjusted accordingly.	

Each department / directorate must take the necessary steps to ensure that all its assets to be disposed of are brought to the attention of the Director: Administration.

The useful life of assets will be guided by the asset life as suggested by GRAP standardised set of statements. Refer to **section 5.1**.

Land and Buildings shall be auctioned at the reserved prevailing market prices as indicated by the valuers at the time of disposal.

All computer equipment to be disposed of will be subject to scrutiny by the IT Manager.

### **Council**

The Council shall give notice in the newspaper circulating within its area. Notice shall be both in English and IsiZulu. Such notice shall also be affixed to all Notice Boards at the Council's office and website.

Council may resolve to donate any of its assets to organisations / individuals and persons within its area of jurisdiction. It may decide from within itself to establish a committee or delegate the donation function to the Human Resources and Administration Standing Committee to make proposals.

### **Municipal Asset Disposal Committee**

The Municipal Asset Disposal Committee will be responsible for the following:

- To be a central point for all requests to dispose of assets.
- To evaluate all requests to dispose of assets.
- To prepare a memorandum to the HOD of budget and treasury to indicating the status of the item and the proposed method for disposal.

### **3.3.4 DEPARTMENTAL TRANSFERS OF ASSETS**

The HOD's shall approve all asset movements, which relate to the transfer of asset from one department to the other.

When a directorate or department transfers an asset or an inventory item interdepartmentally or within its department, the Asset Transfer Form (**section 5.3**) must be forwarded to the

department/location receiving the asset or inventory item. A copy of this form is to be forwarded to the Budget and Treasury Office for the update of the asset register.

Where a department no longer requires the use of an asset it should be transferred to the Finance Department for storage until it is required by another department.

If municipal officials swipe offices, no municipal assets should be moved. Only officials should swipe. There is no municipal asset that has been permanently allocated to a particular official.

### **3.3.5 RESIGNATIONS**

At the resignation of an employee the applicable Director or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources and asset management unit for their further attention. This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary (refer to **section 5.4** Asset Clearance Form).

### **3.3.6 IDENTIFICATION OF ASSETS**

#### **a) Definition and Rules**

##### **Asset identification system**

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.

#### **b) Policy Statement**

An asset identification system shall be operated and applied in conjunction with an asset register. As far as practicable, every individual asset shall have a unique identification number - in the case of movable assets, if this identification number is not a barcode number due to impracticability of affixing such a tag to the asset, the serial number of the asset will be used as the unique identification number.

**c) Responsibilities**

- The CFO shall develop and implement an asset identification system in consultation with the MM and other HODs, within the context of the UDM's available budgetary and human resources.
- HODs shall ensure that the asset identification system is appropriately applied and that all the assets under their control are correctly barcoded or otherwise identifiable in the asset register.

## **3.5 ASSET REGISTER**

**a) Definitions and Rules**

**Asset Register**

An asset register is a database with information relating to each asset. The asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standard for each of the asset classes, and the strategic and operational asset management needs of the municipality.

**Completeness of Data**

It is recognised that it may not be practicable to complete all the required fields when compiling the initial asset register when converting to the new GRAP standards of accounts. However, processes have to be established so that all the data fields can be completed on an on-going basis on adoption of this policy.

**Updating data in the Asset Register**

The asset register is updated by an Asset Manager only when authorised and instructed to do so by the CFO. The Asset Register Administrator is precluded from being a custodian of an Asset Register.

**b) Policy Statement**

An asset register shall be established to provide the data required to apply the applicable accounting standards, as well as other data considered by the municipality to be necessary to support strategic asset management planning and operational management needs. The asset register shall be updated and reconciled to the general ledger on a regular basis.

**c) Responsibilities**

- The CFO shall define the format of the asset register in consultation with the Municipal Manager and the HODs, and shall ensure that the format complies with the prevailing accounting standards.
- HODs shall provide the CFO with the data required to establish and update the asset register in a timely fashion.
- The CFO shall establish procedures to control the completeness and integrity of the asset register data.

- The CFO shall ensure proper application of the control procedures.
- The Asset Manager shall record all assets owned and/or controlled by UDM in an asset register, regardless of the finding source or value thereof.

The Asset Controller shall ensure that assets acquired and received are recorded in the asset register (this will be done by ensuring that the appropriate forms are completed correctly and handed over to the Asset Manager). All movable (& other) assets should be bar-coded.

The exceptions are the following:

Beepers  
Cables  
Calculators (pocket)  
  
Calculators (Sharp type)  
Cellotape Holders  
Cellular phones  
Chairs in halls (bulk)  
Chairs-stackable plastic  
Computer keyboard  
Electric clocks fixed to walls  
Electronic touchpads  
Firearms  
First aid boxes  
Garden tools  
Guillotines  
Hand tools  
Hostel Beds & Blankets  
Sofas  
In/out trays  
Kettles etc  
Library Books, tapes  
Museum artefacts, fossils, exhibits, etc  
Museum Artworks in the museum  
Paper Towel Holders  
Pencil Sharpeners  
Pipes  
Water Metering System  
Posters  
Punches  
Radios

Rescue boards & skis

Speakers fixed to Walls

Notice Boards

Cameras fixed to Walls

Letter trays

TV & decoder

Lawnmower

Driller and other hand tools

Councillor's Laptops

Laptops given to councillors as a tool of trade, shall be donated to councillors on the date of receipt. All laptops shall be insured and the insurance on those laptops would cease at the end of their term. All new councillors shall be giving a laptop as a tool of trade.

### **3.6 VERIFICATION OF ASSETS**

Undertaking assets count and conditional assessment of all infrastructure assets on an annual basis is onerous, particularly given the nature and volume of assets held by municipality. Therefore, the conditional and useful life review shall be done using Indicator-based assessment when the indicator prevails. The municipality may undertake conditional assessments on specific assets more frequently than others, based on an entity's risk assessment of its assets.

The municipality shall conduct the assets count for the following municipal owned assets.

#### **Movables**

-Computer Equipment's

-Furniture and Fittings

-Motor Vehicles-

-Machinery and Equipment's

- The Asset count for the above types of movable assets shall be done at least once per financial year. The municipal ICT shall play a huge role in counting of computer related assets and the monitoring of the movement in computer related equipment's. The asset count will be facilitated by the Budget and Treasury Office.

## **Infrastructure Asset**

Buildings

Reservoirs and Storage Tanks

Mechanicals

Electricals

Conducting asset count to all infrastructure assets on annual basis is onerous, particularly given the nature and volume of assets held by municipality. Therefore, each type of infrastructure asset mentioned above shall be verified at least once in the three-year cycle unless there is an indication that requires that type of infrastructure assets to be frequently verified as part of asset management.

## **Departmental asset register/listing of assets**

The Budget and Treasury Office must distribute to each Department Asset Controller an asset register/listing of all assets for the respective department on a quarterly basis.

## **Departments**

The departments should:

- Perform cyclical counts on assets within their department during the year.
- Perform the annual asset verification of all assets as at 30 June each year within the last two months of the financial year.
- Ensure that the existence of items recorded on the inventory register is verified from time to time, and at least once in every financial year. Any amendments which are made to the inventory register must be retained for audit purposes. These counts should be coordinated by Department Asset Controller.

## **Administration and Budget and Treasury Office**

The Director: Administration and where necessary his/her duly designated official shall:

- Receive from the Budget and Treasury Office a detailed "outcome report" on the assets verification exercise.
- In consultation with the CFO, ensure that the asset register of the Council is balanced at least annually.

## **3.7 SAFEKEEPING OF ASSETS**

### **a) *Definitions and rules***

The municipality applies control and safeguards to ensure that assets are protected against improper use, loss, theft, malicious damage or accidental damage.

The existence of assets is physically verified from time-to-time, and measures adopted to control their use. Budgetary constraints may however constrain the measures adopted.

The municipality may allocate day-to-day duties relating to such control, verification and safekeeping to asset custodians, and record such custodian names in the asset register.

**b) Policy Statement**

An asset safeguarding plan (written directives) shall be prepared for all assets indicating measures that are considered effective to ensure that all assets under control of the municipality are appropriately safeguarded from inappropriate use or loss, including the identification of asset custodians for all assets. The impact of budgetary constraints on such measures shall be reported to Council.

To ensure that assets are appropriately repaired, impaired, written off or disposed of, physical inspections of assets shall be performed, thereby identifying items which are missing, damaged, not barcoded, not in use, or are obsolete due to changed circumstances.

An assessment of the location and condition of movable assets will be performed during as per the provision of GARP 17. Condition assessment of immovable assets by physical inspection shall be performed periodically as determined by the Asset Manager, in consultation with the CFO and relevant HODs. In the interim, condition of immovable assets shall be determined based upon staff knowledge, maintenance records, customer complaints and performance records. A physical check of immovable assets may also be conducted whenever routine maintenance is done.

**c) Responsibilities**

- The CFO shall establish procedures for the safeguarding of assets, including effective management of movement of assets from one location to another (both internal and external), transfers of assets from one custodian to another, and reporting of damage, in consultation with the Executive Managers.
- Each HOD shall be directly responsible for the physical safeguarding of any asset controlled or used by the department in question and shall implement and adhere to any written directives issued by the CFO in this regard, within the budgetary resources made available.
- Each Asset Controller shall ensure all movable assets received into their stewardship are appropriately safeguarded for inappropriate use, loss, damage or misuse wherever it is located. Safeguarding includes appropriate control over the physical access to these assets and regular stock takes to ensure any losses have

not occurred. Any known losses should be immediately reported to the Asset Manager.

- Each Asset Controller shall ensure that assets are appropriately utilized for the purpose acquired.
- Each HOD shall be responsible for undertaking a comprehensive verification of all assets under their control at least once during June of every financial year, and in compliance with the relevant written directives issued by the Asset Manager.
- Each Asset Controller shall perform an annual verification of all movable assets, in compliance with written directives issued by, and as part of the annual reporting processes coordinated by the Asset Manager. The verification will include the following for assets under their control:
  - Ensuring that all assets are bar coded (where applicable)
  - Assess for condition and possible impairment
  - Review the useful lives
  - Review the depreciation method used
- Each Asset Controller shall report, in the format and within the time frame indicated by the CFO, the existence, condition, location and appropriate use of assets under the control of their respective departments at the review date.
- Any changes in the estimated useful life of assets, as a result of annual review, shall be approved by the CFO and these shall be accounted for as a change in accounting estimate.
- Each Asset Controller shall report to the Municipal Manager and the Chief Financial Officer on issues that will significantly impede the assets capability to provide the required level of service or economic benefits.
- HODs shall enforce the application of the procedure for controlling the movement of assets as prescribed by the CFO.
- Each HOD shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- Every HOD shall promptly (within 48 hours of its occurrence or awareness by the respective HOD) report every incident of loss, theft, destruction, or material impairment of any asset controlled or used by the department in writing to the CFO and;
- The CFO shall report cases of suspected theft or malicious damage to municipal assets to the South African Police Service.

### **3.8 ALIENATION OF ASSETS (ASSETS HELD-FOR-SALE)**

Every HOD shall report in writing to the Director: Administration on 30 April of each financial year on all assets controlled or used by the department concerned which such HOD wishes to alienate by public auction or public tender. The CFO shall thereafter consolidate the requests received from the various departments and shall promptly report such consolidated information to the Council of the municipality recommending the process of alienation to be adopted.

The Council may delegate to the municipal manager the authority to approve the alienation of any asset with a carrying value less than R5 000 (five thousand rand).

The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the MFMA.

Once the assets are alienated, the CFO shall delete the relevant records from the asset register. Should the assets not be alienated at year-end, then the assets shall be re-classified as assets held for sale, in terms of the relevant accounting reporting standards.

If the proceeds of the alienation are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.

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

### **3.9 REPORTING WRITE-OFFS OF ASSETS**

All losses should be recorded on a standard Asset Write off Form (refer to **section 5.5**) which shall be used for reporting purposes.

#### **Loss, theft, destruction, or impairment**

Every HOD 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 (refer to **section 5.5**) to the Director of Administration, and – in cases of suspected theft or malicious damage – also to the South African Police Service. The Director of Administration shall promptly report to the CFO in writing the above events.

### **Other write-offs**

A fixed asset even though fully depreciated shall be written off only on the recommendation of the HOD controlling or using the asset concerned, and with the approval of the MM of the municipality.

Each Department / Directorate must keep an accurate record of all asset losses and report (refer to **section 5.5**) such losses to the Director of Administration.

The Director of Administration shall report to the CFO on 30 April of each financial year on any assets which such HOD wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Council of the municipality on the assets to be written off.

The only reasons for writing off assets, other than the alienation of such assets, 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 CFO shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

## **3.10 MAINTAINANCE**

### **General maintenance**

Every HOD shall be directly responsible for ensuring that ***all assets (other than infrastructure assets, which are dealt with below)*** are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

### **Maintenance plans**

Every HOD shall ensure that a maintenance plan in respect of every new ***infrastructure asset***.

The MM may direct that the maintenance plan be submitted to the Council prior to any approval for the acquisition or construction of infrastructure asset concerned.

Annual reports should be submitted by the HOD's (controlling or using infrastructure assets) to the Council by July each year on the progress in complying with the maintenance plan. The effect of any non-compliance on the useful operating life of the asset should also be reported.

### **Deferred maintenance**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan, the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements.

If no such plans have been formulated or are likely to be implemented, the CFO shall re-determine the useful operating life of the fixed asset in question (as guided by reporting standards), if necessary, in consultation with the HOD controlling or using the asset, and shall recalculate the annual depreciation expense accordingly.

Where maintenance is deferred and results in a change in the useful operating life of the asset, then the statement on accounting policies, changes in accounting estimates and errors (GRAP 3) should be applied.

## **3.11 POLICY FOR LIFE-CYCLE MANAGEMENT OF IMMOVABLE PPE ASSETS**

### ***Definitions and rules***

#### **1. Service Delivery**

Immovable PPE assets (such as infrastructure and community facilities) are the means by which the municipality delivers a range of essential municipal services. Consequently, the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

#### **2. Asset Management**

The goal of Asset Management of immovable PPE is to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers. The core principles are:

- Taking a life-cycle approach;
- Developing cost-effective management strategies for long- term;
- Providing a defined level of service and monitoring performance;
- Understanding and meeting the impact of growth through demand management and infrastructure investment;
- Managing risks associated with asset failures;
- Sustainable use of physical resources, and
- Continuous improvement in the immovable PPE asset management practices.
-

### **Policy Statement**

The municipality shall provide municipal services for which the municipality is responsible, at an appropriate level, and in a transparent, accountable and sustainable manner, in pursuit of legislative requirements and in support of its strategic objectives, according to the following core principles:

#### **1 .Effective Governance**

The municipality shall strive to apply effective governance systems to provide for consistent asset management and maintenance planning in adhere to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected.

To this end, the municipality shall:

- i. Continue to adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- ii. Regularly review updates and amendments to the above legislation;
- iii. Review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- iv. Effectively apply legislation for the benefit of the community.

#### **2. Sustainable Service Delivery**

The Municipality shall strive to provide to its customer services that are technically, environmentally and financially sustainable

To this end, the municipality shall:

- i. Identify a suite of level and standards of service that conform with statutory requirements and rules for their application based on long-term affordability to the municipality;
- ii. Identify technical and functional performance criteria and measure, and establish a commensurate monitoring and evaluation system;
- iii. Identify current and future demand for services, and demand management strategies;
- iv. Set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew and dispose infrastructure assets, where applicable in line with national targets;
- v. Apply a risk management process to identify service delivery risks at asset level and appropriate responses;
- vi. Prepare and adopt a maintenance strategy and plan to support the achievement of the required performance;
- vii. Allocate budgets based on long-term financial forecasts that takes cognisance of the full life-cycle needs of existing and future infrastructure assets and risks to achieving the adopted performance targets;
- viii. Strive for alignment of the financial statement with the actual service delivery potential of the infrastructure assets; and
- ix. Implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

#### **3. Social and Economic Development**

The municipality shall strive to promote social and economic development in its

municipal area by means of delivery municipality services in a manner that meet the needs of the various customer user-groups in the community.

To this end, the municipality shall:

- i. Regularly review its understanding of customer needs and expectations through effective consultation processes covering all service areas;
- ii. Implement changes to services in response to changing customer needs and expectations where appropriate;
- iii. Foster the appropriate use of services through the provision of clear and appropriate information;
- iv. Ensure services are managed to deliver the agreed levels and standards; and
- v. Create job opportunities and promote skills development in support of the national EPWP.

#### **4. Custodianship**

The municipality shall strive to be a responsible custodian and guardian of the community's assets for current and future generations.

To this end, the municipality

- i. Establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;
- ii. Establish appropriate development control measures including community information.
- iii. Cultivate an attitude of responsible utilisation and maintenance of its assets, in partnership with the community;
- iv. Ensure that heritage resource are identified and protected; and
- v. Ensure that a long-term view is taken into account in infrastructure asset management decisions.

#### **5. Transparency**

The municipal shall strive to manage its infrastructure assets in a manner that is transparent to all its customers, both now and in the future.

To this end, the municipality shall:

- i. Develop and maintain a culture of regular consultation with regard to its management of infrastructure in support of service delivery;
- ii. Clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- iii. Avail immovable PPE asset management information on a ward basis; and
- iv. Continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standard.

#### **6. Cost- effectiveness and efficiency**

The municipality shall strive to manage its infrastructure assets in an efficient and effective manner.

To this end, the municipality shall:

- i. Assess life-cycle options for proposed new infrastructure in line with the Supply Chain Policy;
- ii. Regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;
- iii. Assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of infrastructure assets;
- iv. Continue to secure and optimally utilise governmental grants in support of the provision of free basic services;
- v. Implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
- vi. Ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
- vii. establish and implement demand management plans;
- viii. Timeously renew infrastructure asset based on capacity, performance, risk exposure, and cost;
- ix. Timeously dispose of infrastructure assets that are no longer in use;
- x. review management and delivery capacity, and procure external support as necessary;
- xi. establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
- xii. strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- xiii. Conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.

### **Responsibilities**

- HODs shall develop, and update at least every 3 years, an Asset Management Plan (AMP) for each service involving immovable PPE that shall assess level and standards of service, future demand, risk determine a life-cycle plan for a minimum 10 years planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the Municipal Manager to Council for adoption. AMPs shall be used to inform the preparation of a Comprehensive Infrastructure Plan and budgets through the IDP process.
- HODs shall prepare, and review at least every 3 years, an Operation and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption. The municipality shall engage contractors when necessary to support in the implementation of maintenance actions and adopt a system that assists in managing such maintenance.
- Each HOD shall be directly responsible for ensuring that all assets are properly maintained to ensure:
  - That such assets provide the desired level of service and;
  - Attain their useful operating lives
- 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 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

- HODs shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption and inclusion in the Service Delivery and budget Implementation Plan. HODs shall establish a monitoring regime, and report actual performance each financial year.

The Municipal Manager shall establish procedures to ensure that legislative requirements regarding the management of immovable PPE assets, including but not limited to health and safety, and environmental protection, are documented and advised to HODs. HODs shall address legislative needs in their strategies and plans, and shall enforce implementation.

### **Deferred maintenance**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan, the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements.

If no such plans have been formulated or are likely to be implemented, the CFO shall re-determine the useful operating life of the fixed asset in question (as guided by reporting standards), if necessary in consultation with the HOD controlling or using the asset, and shall recalculate the annual depreciation expense accordingly.

Where maintenance is deferred and results in a change in the useful operating life of the asset, then the statement on Accounting policies, changes in accounting estimates and errors (GRAP 3) should be applied.

## **3.12 PRIVATE USE OF MUNICIPAL ASSETS**

Each department should ensure that the removal of assets from municipal premises is monitored. The standard Asset Removal Form (refer to **section 5.6** for the form to complete) should be completed and authorised by the HOD each time any asset is removed from municipal premises.

No municipal asset may be used for personal gain or profit.

## **3.13 REPLACEMENT NORMS**

The MM, in consultation with the CFO and other HOD's, 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 of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of assets which are required for service delivery but which have become uneconomical to maintain

### **3.14 INSURANCE OF ASSETS**

The MM or designee should ensure that all assets are insured. The CFO should recommend the basis of insurance to be applied to each type of fixed asset (e.g. carrying value or replacement value).

For all assets acquired, the HOD should notify the Insurance Claims clerk on delivery to provide immediate cover. It is the responsibility of the HOD to ensure that the purchased capital asset has been covered for insurance purposes before it is used by the respective department.

The CFO shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the Council of the municipality considers such insurance desirable and affordable.

### **3.15 FLEET MANAGEMENT**

The management of Fleet Assets (Council's vehicles, plant and earth moving equipment as defined by the Fleet Management Policy) shall be in terms of the "Fleet Management Policy."

### **3.16 DISPOSAL OF FIREARMS**

The procedures for the legal disposing of firearms in terms of the Firearms Control Act of 2000 are not included in this policy.

### **3.17 BIOLOGICAL ASSETS**

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

Records of the details of biological assets shall be kept in a separate section of the asset register or in a separate accounting record altogether and such details shall reflect the information which the CFO, in consultation with the HOD concerned and the internal auditor, deems necessary for accounting and control purposes.

## **4 UNBUNDLING OF INFRASTRUCTURE ASSETS**

## **STRATEGY.**

1. Identify all Infrastructural assets owned by the municipality using the municipal asset register. E.g. Water Supply and Sanitation, Electricity Supply.
2. Identify the significant components of various infrastructural assets according to the (MFMA) Local Government Capital Asset Management Guideline.
3. An evaluation of the identified components for impairment and for obtaining the current Replacement Cost. This will be achieved through the professional knowledge of qualified municipal engineers or from outside engineers specializing in Asset Management.
4. Adjust depreciation based on replacement values supplied by the engineers for proportional purposes only. The depreciation of the unbundled components will be recalculated on the proportional historic cost of the components. Should there be impairment the depreciation and value changes will be adjusted accordingly.
5. Perform a review of the existing Asset register to identify infrastructural asset that are recorded at global amounts. These assets will have to be written off and recaptured again at historic cost but in the respective unbundled components.
6. The parent asset and its components will be depreciated over the useful life of the asset. Only in the event that there is professionally qualified impairment will the useful life be reduced.
7. Adjust the General/Ledger account for Infrastructural assets to align the accounts with the AR after the action steps above have been concluded.
8. Correct the Annual Financial Statements as at 30 June 2009 in accordance with the requirements of GRAP 3.

## 5 APPENDICES

### 5.1 ASSET USEFUL LIVES

		Asset Life Yrs		Asset Life Yrs
<b>INFRASTRUCTURE ASSETS</b>				<b>OTHER ASSETS</b>
Buildings :			Office buildings	30
Dams		100	Motor vehicles	5
Buildings & concrete		30	Trucks/Bakkies	5
Water:				
			<b>Office equipment:</b>	
Meters & other components		15	Computer equipmer	5
Supply/reticulation		60	Office machines	3-5
Reservoirs and tanks		38	Air conditioners	7
Water pumps		15	Furniture and fittings :	
			Wood Chair	5-7
			Other Chairs	5-7
			Desk	5-7
			Other	5-.7
Mains		60	Emergency equipme	5-15
Rights		60		
Purification Works		30		
Boreholes		30	<b>Plant and equipment:</b>	
Hand Pump		15	Graders	15
Flood Light		20	Tractors	15
Jojo tanks		20	Mechanica	15
			Lawnmow	2
			Compress	5
			Laborator	5
<b>Sewerage:</b>			Radio equ	5
Sewers		60	Telecomm	5
Outfall sewers		60	Irrigation :	15
Purification Works		30	Lathes & M	15
Sewerage pumps & Other Com		15	Tippers	15
Sludge machines		22	Tools	5
			General	5
Computer Software		5		

## 5.2 SPECIMEN ASSET DISPOSAL FORM



### UTHUKELA DISTRICT MUNICIPALITY ASSET DISPOSAL FORM

**DATE REQUESTED:**

---

**DEPARTMENT:**

---

**ASSET BARCODE:**

---

**ASSET DESCRIPTION:**

---

**ASSET LOCATION:**

---

**CLASSIFICATION OF ASSET:**

---

**SUGGESTED METHOD OF DISPOSAL:**

---

**CONDITION OF ASSET:**

---

**REASON FOR REQUEST FOR DISPOSAL:**

---

---

---

**REQUESTING OFFICIAL:**

**NAME AND SURNAME:**

---

**SIGNATURE:**

---

**HOD RECOMMENDATION:**

**NAME AND SURNAME:**

---

**SIGNATURE:**

---

**MUNICIPAL ASSET DISPOSAL COMMITTEE (CHAIRPERSON):**

**NAME AND SURNAME:**

---

**SIGNATURE:**

---

**MM APPROVAL:**

**NAME AND SURNAME:**

---

**SIGNATURE:**

---

**CHANGE UPDATED ON SYSTEM BY BUDGET AND TREASURY OFFICE:**

---

### 5.3 SPECIMEN ASSET TRANSFER FORM



#### UTHUKELA DISTRICT MUNICIPALITY ASSET TRANSFER FORM

**Current Location:** \_\_\_\_\_  
**Transferred Location:** \_\_\_\_\_

**Room no:** \_\_\_\_\_  
**Room no:** \_\_\_\_\_  
**Building:** \_\_\_\_\_

	Assets Barcode	Assets Description	Condition	Reason For Transfer
1				
2				
3				

**Responsible Person:** \_\_\_\_\_  
**Signature:** \_\_\_\_\_  
**Transferring official:** \_\_\_\_\_  
**Signature:** \_\_\_\_\_  
**HOD Name and Surname:** \_\_\_\_\_  
**HOD Signature:** \_\_\_\_\_  
**Date Transferred:** \_\_\_\_\_

**Responsible Person:** \_\_\_\_\_  
**Signature:** \_\_\_\_\_  
**Receiving official:** \_\_\_\_\_  
**Signature:** \_\_\_\_\_  
**HOD Name and Surname:** \_\_\_\_\_  
**HOD Signature:** \_\_\_\_\_  
**Date Transferred:** \_\_\_\_\_



## 5.5 SPECIMEN ASSET WRITE OFF FORM



### UTHUKELA DISTRICT MUNICIPALITY ASSET WRITE OFF FORM

<b>DATE REQUESTED:</b>	_____
<b>DEPARTMENT:</b>	_____
<b>ASSET BARCODE:</b>	_____
<b>ASSET DESCRIPTION:</b>	_____
<b>ROOM NUMBER:</b>	_____
<b>ASSET LOCATION:</b>	_____
<b>CLASSIFICATION OF ASSET:</b>	_____
<b>SUGGESTED METHOD OF DISPOSAL:</b>	_____
<b>REASON FOR WRITE OFF:</b>	_____ _____ _____
<b><u>REQUESTED BY:</u></b>	
<b>NAME AND SURNAME:</b>	_____
<b>POSITION:</b>	_____
<b>SIGNATURE:</b>	_____
<b>DATE:</b>	_____
<b><u>AUTHORISED BY:</u></b>	
<b>NAME AND SURNAME:</b>	_____
<b>POSITION:</b>	_____
<b>SIGNATURE:</b>	_____
<b>DATE:</b>	_____
<b>CHANGE UPDATED ON THE SYSTEM BY BUDGET &amp; TREASURY OFFICE:</b>	_____

## 5.6 SPECIMEN ASSET REMOVAL FORM



### UTHUKELA DISTRICT MUNICIPALITY ASSET REMOVAL FORM

<b>DATE REQUESTED:</b>	_____
<b>DATE REMOVED:</b>	_____
<b>DEPARTMENT:</b>	_____
<b>ASSET BARCODE:</b>	_____
<b>ROOM NUMBER:</b>	_____
<b>ASSET DESCRIPTION:</b>	_____
<b>ASSET LOCATION:</b>	_____
<b>CLASSIFICATION OF ASSET:</b>	_____
<b>REASON FOR REMOVAL:</b>	_____
<b>RETURN DATE:</b>	_____
<b>DATE RETURNED:</b>	_____
<b>REQUESTED BY:</b>	_____
<b>NAME AND SURNAME:</b>	_____
<b>POSITION:</b>	_____
<b>SIGNATURE:</b>	_____
<b>DATE:</b>	_____
<b><u>AUTHORISED BY:</u></b>	_____
<b>NAME AND SURNAME:</b>	_____
<b>POSITION:</b>	_____
<b>SIGNATURE:</b>	_____
<b>DATE:</b>	_____

## 5.7 SPECIMEN PERSONAL ASSET DECLARATION FORM



### UTHUKELA DISTRICT MUNICIPALITY PERSONAL ASSET DECLARATION FORM

**SERIAL NUMBER:** \_\_\_\_\_

**ASSET DESCRIPTION:** \_\_\_\_\_

**NAME OF USER:** \_\_\_\_\_

**ASSET LOCATION:** \_\_\_\_\_

**ROOM NUMBER:** \_\_\_\_\_

**REASON FOR BRINGING THE ASSET ONTO THE PREMISES:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ESTIMATED REMOVAL DATE:** \_\_\_\_\_

**OWNER DETAILS:**

**DECLARATION:** I .....,the owner agree not to hold Uthukela District Municipality liable for any theft or damage incurred relating to the use of the abovementioned asset.

**NAME AND SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**DEPARTMENT ASSET CONTROLLER :**

**DECLARATION:** I .....,the Department Asset Controller, agree that Uthukela District Municipality is not the owner of the abovementioned asset.

**NAME AND SURNAME:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

## 5.8 SPECIMEN ACKNOWLEDGEMENT OF RECEIPT OF ASSET FORM



### UTHUKELA DISTRICT MUNICIPALITY ACKNOWLEDGEMENT OF RECEIPT OF ASSET FORM

<b>SERIAL NUMBER:</b>	_____
<b>ASSET NUMBER:</b>	_____
<b>ASSET DESCRIPTION:</b>	_____
<b>ASSET LOCATION:</b>	_____
<b>ROOM NUMBER:</b>	_____
<b>RECEIVED DATE:</b>	_____
 <b><u>RECEIVED BY(OFFICIAL) DETAILS:</u></b>	
<b>NAME AND SURNAME:</b>	_____
<b>SIGNATURE:</b>	_____
<b>DATE:</b>	_____
 <b>DEPARTMENT ASSET CONTROLLER</b>	
:	
<b>NAME AND SURNAME:</b>	_____
<b>SIGNATURE:</b>	_____
<b>DATE:</b>	_____

The Asset Management Unit is responsible to assist the Accounting officer to carry out his/her duties in terms of section 63 of municipal finance management act no 56 of 2003 and asset management policy approved by the council. As an asset custodian you are reminded to not use the municipal asset for your personal gain.

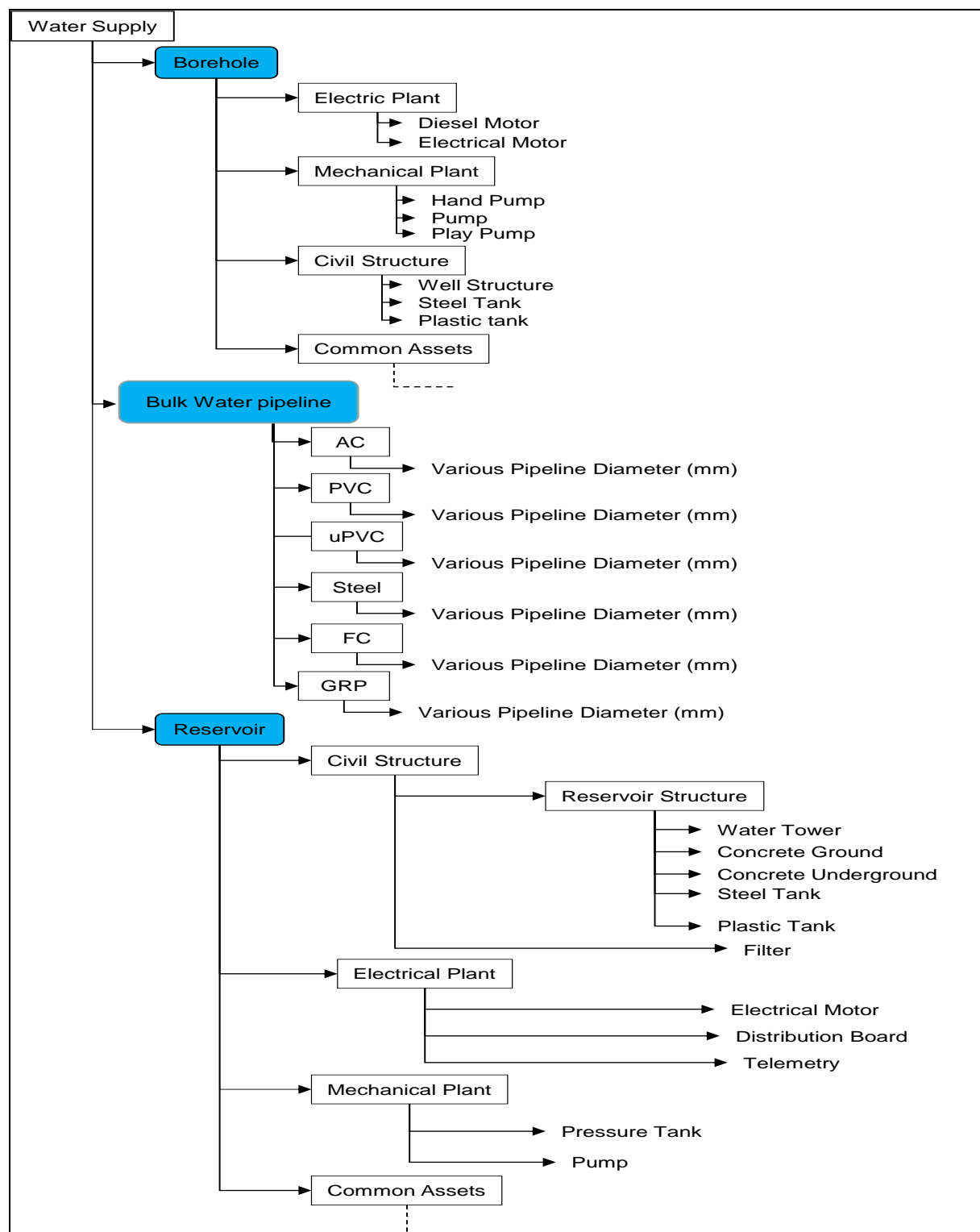
You are requested to bring back to Asset Manager the old Asset which has the following asset number..... within two working days after ICT unit has transfer your data and profile, in exchange of the above new asset. A failure to bring the old asset will result to the Book Value of R ..... as at ..... Being deducted from your salary in the next payroll.

## **ANNEXURE A**

### **Asset Hierarchy**

An asset hierarchy has been developed and is presented below. The hierarchy has been developed to provide a minimum level of detail that is accurate enough to provide a foundation for municipalities to make informed strategic and tactical decisions and to promote the establishment of maintenance and rehabilitation programs to control and safeguard their infrastructure assets.

#### **Figure 1: Water Supply Asset Hierarchy**



**Figure 2: Water Supply Asset Hierarchy .... Continued**

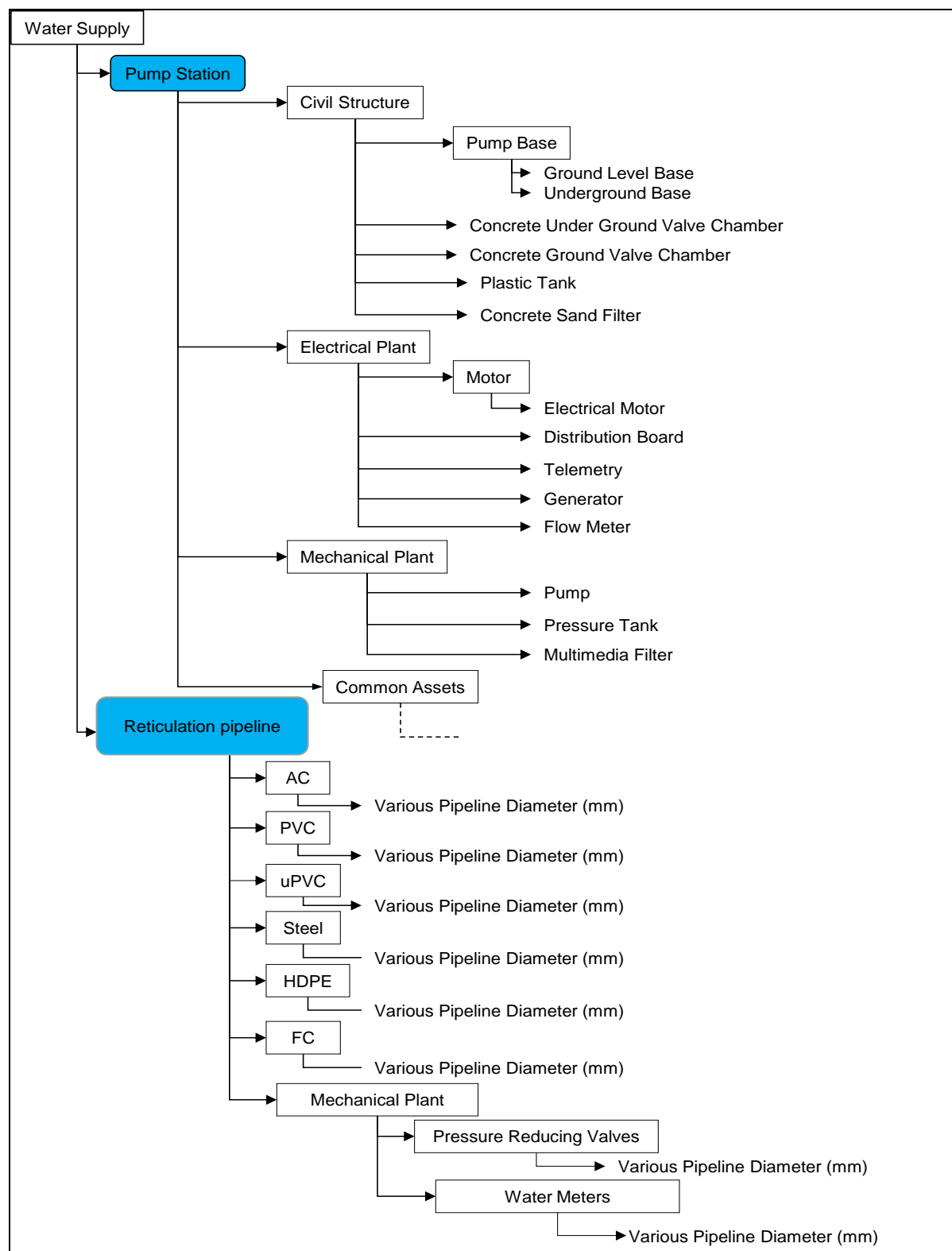


Figure 3: Water Supply Asset Hierarchy .... Continued

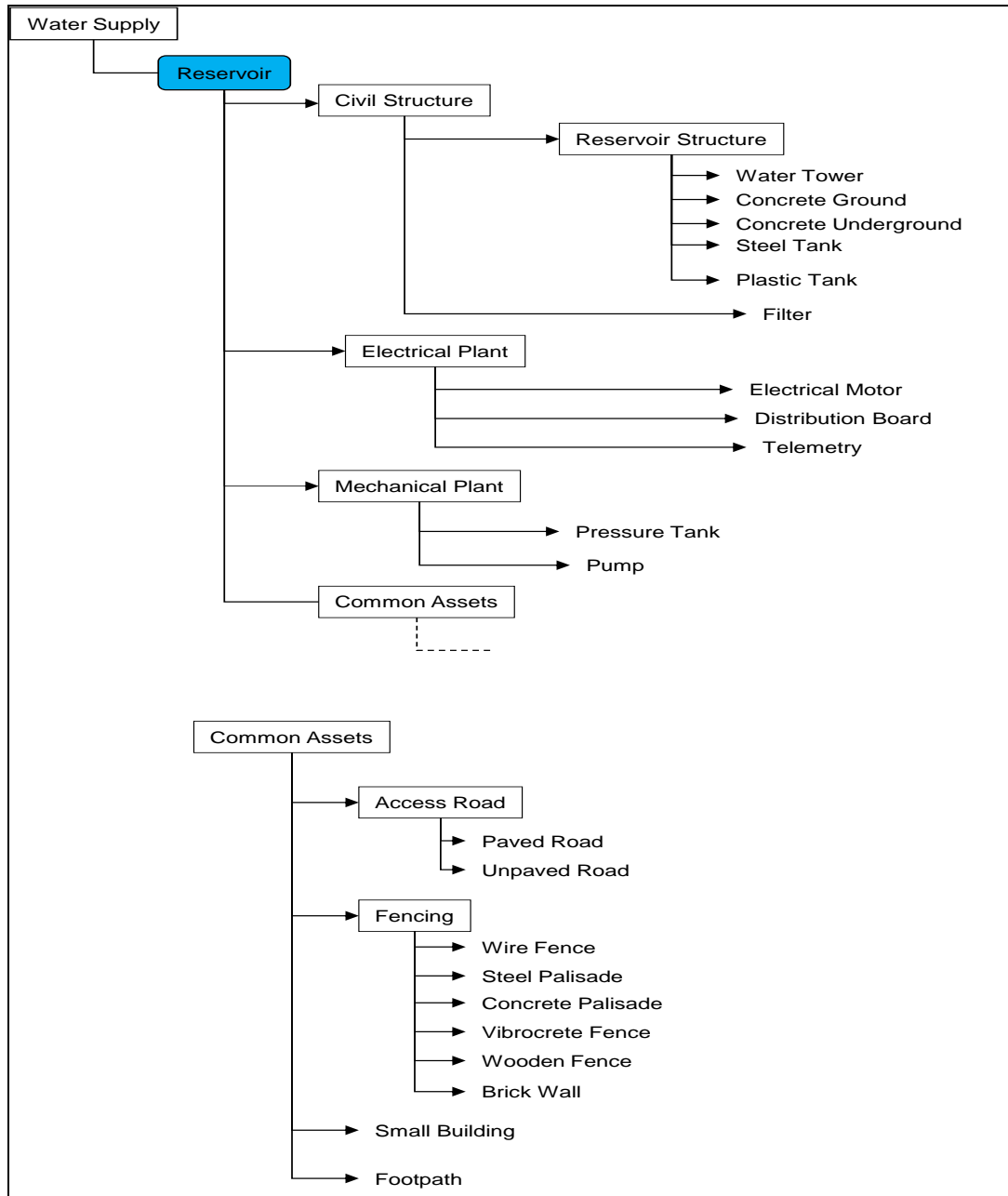


Figure 4 : Sanitation Asset Hierarchy

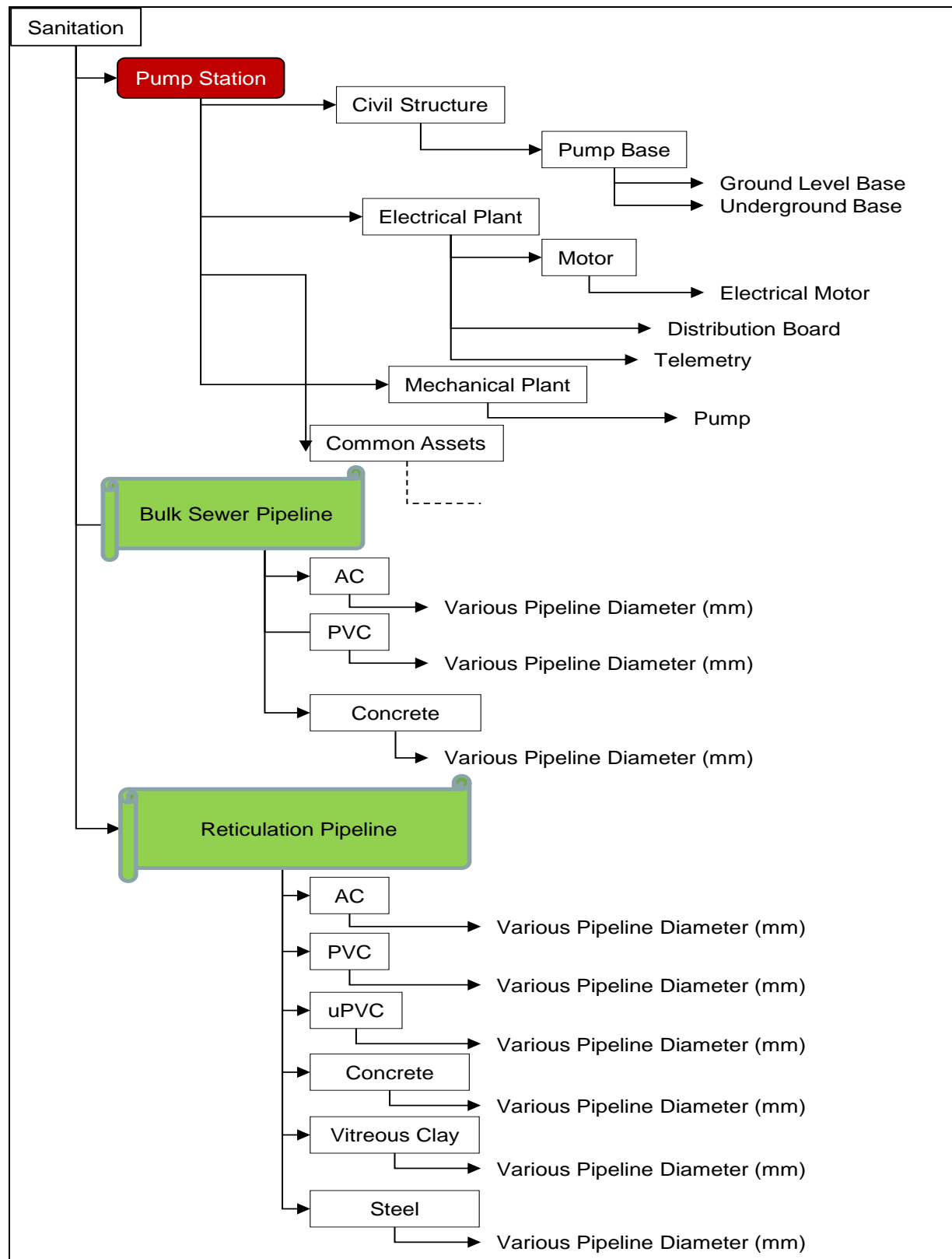


Figure 5: Sanitation Asset Hierarchy .... Continued

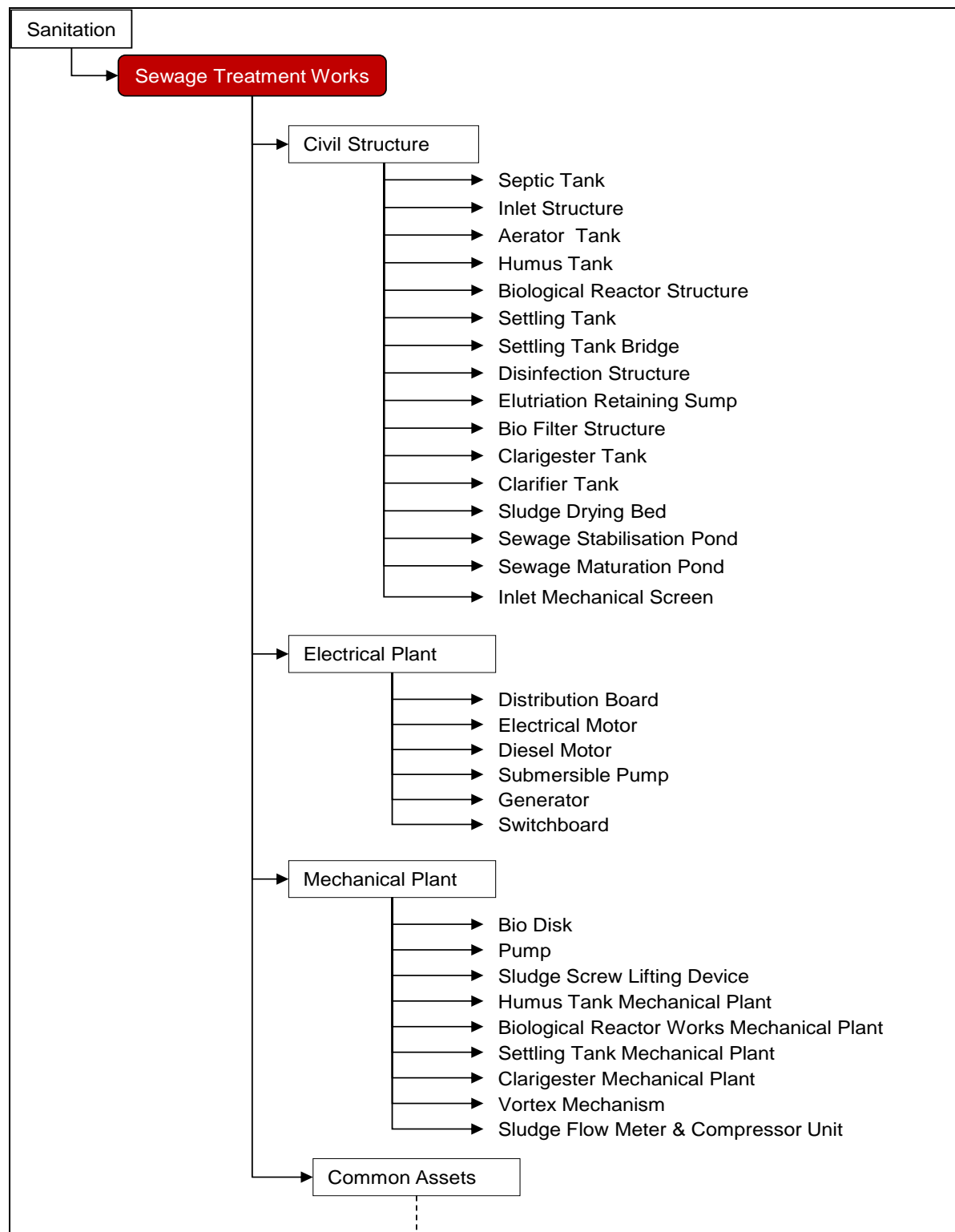
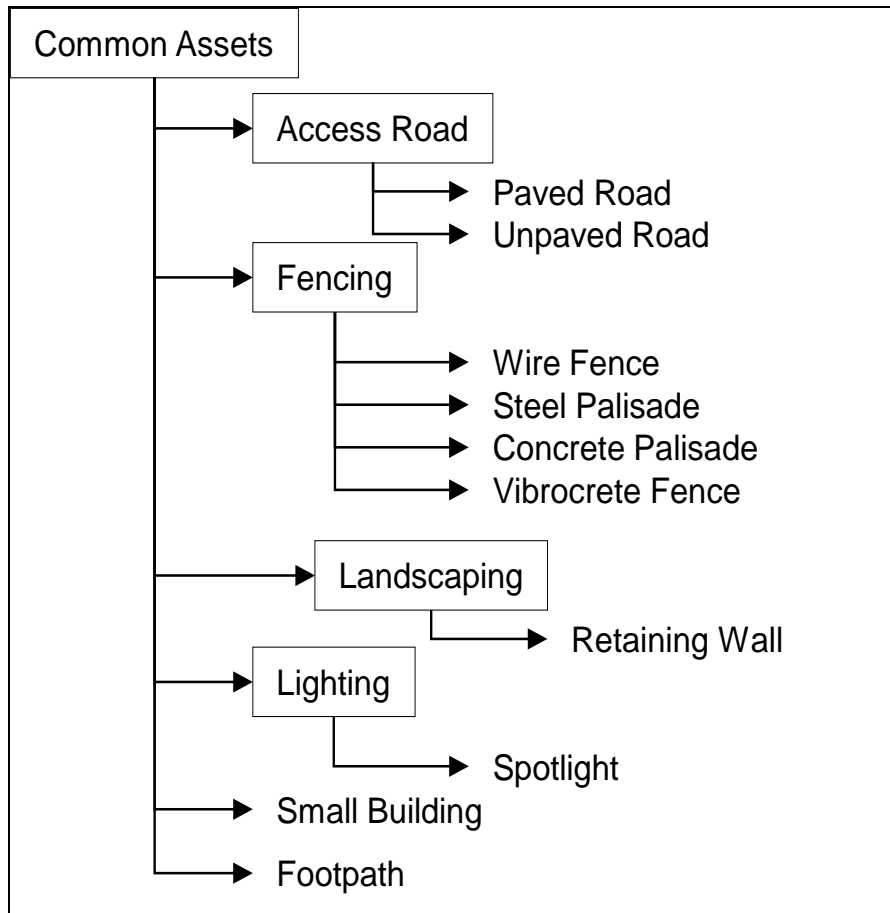


Figure 6: Sanitation Asset Hierarchy .... Continued



**Annexure B**

**Table 6: Condition based Remaining useful life** Remaining Useful Life (RUL) in years

Condition	Very Poor		Poor		Fair		Good		Very Good						
	Low	High	Low	High	Low	High	Low	High	Low	High					
Expected Useful Life (years)	0 % E UL	5 % E UL	10 % E UL	11% E UL	18 % E UL	25 % E UL	26 % E UL	35 % E UL	45 % E UL	46 % E EUL	58 % E UL	70 % EUL	71% EUL	85 % E UL	100 % EUL
5	0	0	1	1	1	1	1	2	2	2	3	4	4	4	5
10	0	1	1	1	2	3	3	4	5	5	6	7	7	9	10
15	0	1	2	2	3	4	4	5	7	7	9	11	11	13	15
20	0	1	2	2	4	5	5	7	9	9	12	14	14	17	20
25	0	1	3	3	5	6	7	9	11	12	15	18	18	21	25
30	0	2	3	3	5	8	8	11	14	14	17	20	21	26	30
35	0	2	4	4	6	9	9	12	16	16	20	25	25	30	35
40	0	2	4	4	7	10	10	14	18	18	23	28	28	34	40
45	0	2	5	5	8	11	12	16	20	21	26	32	32	38	45
50	0	3	5	6	9	13	13	18	23	23	29	35	36	43	50
60	0	3	6	7	11	15	16	21	27	28	35	42	43	51	60
70	0	4	7	8	13	18	18	25	32	32	41	49	50	60	70
80	0	4	8	9	14	20	21	28	36	37	46	56	57	68	80
100	0	5	10	11	18	25	26	36	45	46	58	70	71	86	100
150	0	8	15	17	27	38	39	53	68	69	87	105	107	128	150
200	0	10	20	22	36	50	52	71	90	92	116	140	142	171	200