

IRBA's approval for the purpose of conducting verification and issuing EMEs with B-BBEE Status Level Certificates)

(6) Planning, Stipulation of Preference Point System to be utilised and the Determination of Designated Sectors

Prior to the invitation of bids, the Accounting Officer is required to:

- (i) Properly plan for the provision of services, works or goods in order to ensure that the resources that are required to fulfil the needs identified in the strategic plan of the Municipality are delivered at the correct time, price, place and that the quantity and quality will satisfy those needs.
- (ii) As far as possible, accurately estimate the costs for the provision of the required services, works or goods. This is in order to determine and stipulate the appropriate preference point system to be utilised in the evaluation and adjudication of the bids and to ensure that the prices paid for the services, works and goods are market related.
- (iii) Estimated costs can be determined by conducting an industry and commodity analysis whereby prospective suppliers may be approached to obtain indicative market related prices that may be utilised for benchmarking purposes. Based on the findings, the relevant preference point system (80/20 or 90/10) to be utilised for the evaluation of the bid must be stipulated in the bid documents.
- (iv) Determine whether the services, works and/or goods for which an invitation is to be made, has been designated for local production and content in terms of Regulation 9 of the Preferential Procurement Regulations. This will entail the inclusion of a specific condition in the bid documents that only locally produced services, works or goods or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered. This will subsequently have a direct impact on the evaluation of the bid.

**Pre-qualification Criteria For Preferential Procurement**

- (i) If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond.
- (ii) A tenderer having a stipulated minimum B-BBEE status level of contributor;
- (iii) An Exempted Micro Enterprise (EME) or Qualifying Small Business (QSE)
- (iv) A tenderer subcontracting a minimum of 30% to EME or QSE which is at least 51% owned by black people who are youth or women or people with disabilities or black people who are living in rural or underdeveloped areas or townships.
- (v) A tenderer subcontracting a minimum of 30% to cooperatives which is at least 51% owned by black people who are military veterans;

- (vi) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

**(7) Bids Based On Functionality as a Criterion**

- (i) In general, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a criterion depends on the nature of the required commodity or service taking into account quality, reliability, viability and durability of a service and the bidder's technical capacity and ability to execute a contract.
- (ii) When the Municipality invites a bid that will also be evaluated on the basis of functionality as a criterion, the Accounting Officer of his/her delegate must clearly specify the following aspects in the bid documents:
  - ✓ Evaluation criteria for measuring functionality.
  - ✓ The evaluation criteria may include criteria such as the bidder's relevant experience for the assignment, the quality of the methodology; the qualifications of key personnel; transfer of knowledge, etc.
  - ✓ Weight of each criterion.
  - ✓ The weight that is allocated to each criterion should not be generic but should be determined separately for each bid on a case by case basis.
  - ✓ Applicable value.
  - ✓ The applicable values that will be utilised when scoring each criterion should be objective. As a guide, values ranging from 1 being poor, 2 being average, 3 being good, 4 being very good and 5 being excellent, may be utilised.
  - ✓ Minimum qualifying score for functionality.
  - ✓ The minimum qualifying score that must be obtained for functionality in order for a bid to be considered further should not be generic. It should be determined separately for each bid on a case by case basis. The minimum qualifying score must not be prescribed so low that it may jeopardize the quality of the service required nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the SCM system.

**(8) Local Production and Content**

**(i) Designated Sectors**

- ✓ Bids in respect of services, works or goods that have been designated for local production and content, must contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

- ✓ The Accounting Officer or His/her delegate must stipulate in bid invitations that the exchange rate to be used for the calculation of local content (local content and local production are used interchangeably) must be the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid.
- ✓ Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x must be used to calculate local content.

The following formula to calculate local content must be disclosed in the bid documentation:

The local content (LC) as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 201x as follows:

$$LC = 1 - \left( \frac{x}{y} \right) \times 100$$

Where

x = imported content

y = bid price excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid.

- ✓ For the purpose of the paragraphs above, the SBD 6.2 (Declaration Certificate for Local Content) must form part of the bid documentation.
- ✓ The Declaration Certificate for Local Content (SBD 6.2) must be completed and duly signed. The Accounting Officer or his/her delegate is required to verify the accuracy of the rates of exchange quoted by the bidder in paragraph 6.4.3 of this Certificate.

#### *Non-Designated Sectors*

- ✓ Where there is no designated sector, the Accounting Officer or his/her delegate may decide to include a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the DTI.
- ✓ Accounting Officer or his/her delegate must stipulate in bid invitations that the exchange rate to be used for the calculation of local content must be the exchange rate published by

the SARB at 12:00 on the date, one week (7 calendar days) prior to the date of closure of the bid.

- ✓ Only the South African Bureau of Standards approved technical specification number SATS 1286:201x as indicated above must be used to calculate local content.
- ✓ For the purpose of the paragraphs above, the SBD 6.2 (Declaration Certificate for Local Content) must form part of the bid documentation.
- ✓ The Declaration Certificate for Local Content (SBD 6.2) must be completed and duly signed. Accounting Officer or his/her delegate is required to verify the accuracy of the rate(s) of exchange quoted by the bidder in paragraph 4.1 of this Certificate.
- ✓ Any enquiries in respect of Local Production and Content may be directed to the Department

- ✓ of Trade and Industry (DTI) as follows:

Ms Basani Baloyi

Director: Industrial Development Division (IDD) Tel: (012) 394 3851

Fax: (012) 394 2851

E-mail: BBaloyi@thedti.gov.za

**Local Production and Content:**

- DTI in consultation with National Treasury can designate a sector, sub-sector or industry in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.
- Organ of State must in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally manufactured goods, only tenderers who meet the stipulated minimum threshold for local production and content will be considered.
- If there is no designated sector, an organ of state may include as a specific condition of the tender that only locally produced services or goods or locally manufactured goods with a stipulated threshold for local production and content will be considered.\*+
- A tenderer that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

**(9) Services Rendered by Tertiary Institutions and Public Entities**

- (i) Based on thorough analysis of the market, institutions may invite written price quotations for services that can only be provided by tertiary institutions from the identified tertiary institutions.
- (ii) Where the required service can be provided by tertiary institutions, public entities and enterprises from the private sector, the Municipality must invite competitive bids.

**(10) Discounts**

- (i) When calculating comparative prices.
- (ii) Unconditional discounts must be taken into account for evaluation purposes.
- (iii) Conditional discounts must not be taken into account for evaluation purposes but should be implemented when payment is affected.

**(11) Sub-Contracting**

Subcontracting as the condition of tender:

- (i) If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups.
- (ii) Tenderer must subcontract a minimum of 30% of the value of the contract to the black designated group.
- (iii) The organ of state must make available the list of all suppliers registered on a database approved by National Treasury to provide the required goods or services in respect of the applicable designated groups from which the tenderer must select a supplier.

Subcontracting after an award of tender

- (i) A person awarded a contract may only enter into a subcontracting arrangement with the organ of the state.
- (ii) For local production and content a person awarded a contract in relation to the designated sector, may not subcontract in such a manner that the local production and content of overall value of the contract is reduced to below the stipulated minimum threshold.
- (iii) A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME (Exempted Micro Enterprise) that has the capability to execute the subcontract.

## (12) Evaluation of Bids Based on Functionality as a Criterion

Bids invited on the basis of functionality as a criterion must be evaluated in two stages - first functionality must be assessed and then in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6. The evaluation must be done as follows:

## (i) First stage - Evaluation of functionality

- ✓ Bids must be evaluated in terms of the evaluation criteria embodied in the bid documents. The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids is not allowed as this may jeopardise the fairness of the process.
- ✓ A bid will be considered further if it achieves the prescribed minimum qualifying score for functionality.
- ✓ Bids that fail to achieve the minimum qualifying score for functionality must be disqualified.
- ✓ Score sheets should be prepared and provided to panel members to evaluate the bids.
- ✓ The score sheet should contain all the criteria and the weight for each criterion as well as

the values to be applied for evaluation as indicated in the bid documents.

- ✓ Each panel member should after thorough evaluation independently award his /her own value to each individual criterion.
- ✓ Score sheets should be signed by panel members and if necessary, written motivation may be requested from panel members where vast discrepancies in the values awarded for each criterion exist.
- ✓ If the minimum qualifying score for functionality is indicated as a percentage in the bid documents, the percentage scored for functionality may be calculated as follows:
  - The value awarded for each criterion should be multiplied by the weight for the relevant criterion to obtain the score for the various criteria;
  - The scores for each criterion should be added to obtain the total score; and
  - The following formula should be used to convert the total score to percentage for functionality:

$$Ps = \frac{So}{Ms} \times 100$$

Ps = percentage scored for functionality by bid under consideration

So = total score of bid under consideration

Ms = maximum possible score

- ✓ The percentage of each panel member should be added and divided by the number of panel members to establish the average percentage obtained by each bidder for functionality.

(ii) Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems

- ✓ Only bids that achieve the minimum qualifying score / percentage for functionality must be evaluated further in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.
- ✓ Where appropriate, prices may be negotiated only with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

(13) The Preference Point System

(i) Step 1: Calculation of points for price

- ✓ The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.
- ✓ The formulae to be utilised in calculating points scored for price are as follows:

80/20 Preference point system [(for acquisition of services, works or goods up to a Rand value of R1million) (all applicable taxes included)];

$$P_s = 80 \left( 1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

$P_s$  = Points scored for comparative price of bid or offer under consideration.

$P_t$  = Comparative price of bid or offer under consideration.

$P_{\min}$  = Comparative price of lowest acceptable bid or offer.

90/10 Preference point system [(for acquisition of services, works and/or goods with a Rand value above R1million) (all applicable taxes included)].

$$P_s = 90 \left( 1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

$P_s$  = Points scored for comparative price of bid or offer under consideration.

$P_t$  = Comparative price of bid or offer under consideration.

$P_{\min}$  = Comparative price of lowest acceptable bid or offer.

- ✓ Points scored must be rounded off to the nearest 2 decimal places.

(ii) *Step 2: Calculation of points for B-BBEE status level of contributor*

- ✓ Points must be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table below:

B-BBEE Status Level of Contributor	Number of Points (90/10 System)	Number of Points (80/20 System)
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1	10	20
2	9	18
3	8	16
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non - Contributor	0	0

Figure 1: B-BBEE Status Level of Contributor

- ✓ A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score zero (0) out of a maximum of 10 or 20 points respectively for B-BBEE.

(iii) *Calculation of total points scored for price and B-BBEE status level of contribution*

- ✓ The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

**(14) Evaluation of Bids that Scored Equal Points**

- (i) In the event that two or more bids have scored equal total points, the successful bid must be the one that scored the highest points for B-BBEE.
- (ii) If two or more bids have equal points, including equal preference points for B-BBEE, the successful bid must be the one scoring the highest score for functionality, if functionality is part of the evaluation process.
- (iii) In the event that two or more bids are equal in all respects, the award must be decided by the drawing of lots.

**(15) Cancellation and Re-Invitation of Bids**

- (i) In the application of the 80/20 preference point system, if all bids received exceed R50 million, the bid must be cancelled. If one or more of the acceptable bid(s) received are within the R50 million threshold, all bids received must be evaluated on the 80/20 preference point system.
- (ii) In the application of the 90/10 preference point system, if all bids received exceed R50 million, the bid must be cancelled. If one or more of the acceptable bid(s) received are within the R50 million threshold, all bids received must be evaluated on the 90/10 preference point system.
- (iii) If a bid was cancelled in terms of the above paragraphs, the correct preference point system must be stipulated in the bid documents of the re-invited bid.
- (iv) The Accounting Officer of his/her delegate may, prior to the award of a bid, cancel the bid if:
  - ✓ Due to changed circumstances, there is no longer a need for the services, works or goods requested. [Accounting Officer must ensure that only goods, services or works that are required to fulfil the needs of the Municipality are procured]; or
  - ✓ Funds are no longer available to cover the total envisaged expenditure. [Accounting Officer must ensure that the budgetary provisions exist]; or
  - ✓ No acceptable bids are received. [If all bids received are rejected, the Municipality must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids].
- ✓ An organ of state may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

(16) Award of Contracts

- (i) A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point system.
- (ii) In exceptional circumstances a contract may, on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.

(17) Resolution of disputes, objections, complaints and queries

- (i) Once the Accounting Officer agrees with the recommendation of the BAC, the intention to award a bid must be advertised in the Government Gazette, selected news media and the Municipality's



website within 5 days, allowing for disputes, objections, complaints and queries to be lodged with the Municipality within 14 days.

- (ii) An independent and impartial person, not directly involved in the supply chain management process, must be appointed by the Accounting Officer. The independent, impartial person must :
  - ✓ advise the Accounting Officer, within 3 days, of any disputes, objections, complaints and queries lodged so that the award process can be suspended until the dispute, objection, complaint or query has been investigated;
  - ✓ assist in resolving disputes between the Municipality and other persons regarding:
    - Any decisions or actions taken in the implementation of the supply chain management system;
    - Any matter arising from a contract awarded in the course of the supply chain management system; or
  - ✓ deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract;
  - ✓ issue a formal report with recommendations to the Accounting Officer.
- (iii) Once the independent, impartial person has completed the investigation, s/he must issue a formal report to the Accounting Officer. The Accounting Officer must consider the recommendations of the independent, impartial person and make a determination on the way forward. The way forward could be to award the bid, refer the bid back for re-evaluation and re-adjudication or even to cancel and re-advertise the bid. Should the Accounting Officer award the bid after the appeals processes have been followed, the successful bidder can be accordingly notified.

#### (18) Remedies

- (i) The Accounting Officer must act against the bidder or person awarded the contract upon detecting that the B-BBEE status level of contribution has been claimed or obtained on a fraudulent basis or any of the contract conditions have not been fulfilled.
- (ii) The Municipality may, in addition to any other remedy that it may have against the bidder or person:
  - ✓ Disqualify the bidder or person from the bidding process;
  - ✓ Recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;
  - ✓ Cancel the contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;

- ✓ Restrict the bidder or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, from obtaining business from any organ of state for a period not exceeding 10 years, after applying the audi alteram partem (hear the other side) rule; and
  - ✓ Forward the matter for criminal prosecution.
- (iii) The Municipality must involve their legal services when any of the remedies are applied.
- (iv) The details of any restrictions imposed on bidders, persons or contractors must be forwarded to the National Treasury for inclusion on the central Database of Restricted Suppliers.

**(19) Tax Clearance**

No bid may be awarded to any bidder whose tax matters have not been declared by the SARS to be in order.

**(20) Bidding Documents**

- (i) The following bidding documents, which have been amended, where necessary, in accordance with the prescripts of the Preferential Procurement Regulations, 2011, and MFMA Circular No.25 must be used:

MBD Description	Document Number
✓ Invitation to Bid	MBD 1
✓ Application for Tax Clearance Certificate	MBD 2
✓ Pricing Schedules	MBD 3.1 to 3.3
✓ Declaration of Interest	MBD 4
✓ National Industrial Participation Programme	MBD 5
✓ Preference claims in terms of the Preferential Procurement Regulations, 2011	MBD 6.1 to 6.12
✓ Formal contract	MBD 7.1 to 7.3

- (ii) The Municipality must customize and utilize the bidding documents by incorporating the Municipality's name, logo and contact details.
- (iii) Other changes to the MBDs, such as variations necessary to address specific contract and project issues, should be kept to a minimum. The standard wording for the Application for Tax Clearance Certificates (MBD 2) and the National Industrial Participation Programme (MBD 5) should not be amended. The formal contract document (MBD 7.1 to 7.3) should not form part of the bidding documents issued to every prospective bidder, but should be made applicable only to the successful bidder after adjudication and award of the bid.

- (iv) The relevant MBDs must be utilized for procurement by means of written price quotations, advertised competitive bids or proposals.

(21) Sale and Letting of Assets

- (i) The preference point system prescribed in the PPPFA and the Preferential Procurement Regulations, 2011 are not applicable to the sale and letting of assets.
- ✓ In instances where assets are sold or leased by means of advertised competitive bids or written price quotations or by auctions the award must be made to the highest bidder.
  - ✓ The tax clearance requirement applies to the sale and letting of assets as well.

(22) SMME Status Table

Industrial Sector Category	Size of Class	Total Full-Time Employees	Total Turnover	Total Gross Asset Value (Fixed Property excl.)
Agriculture	✓ Medium	✓ 100	✓ R5m	✓ R5m
	✓ Small	✓ 50	✓ R3m	✓ R3m
	✓ Very small	✓ 10	✓ R0, 50m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Mining and Quarrying	✓ Medium	✓ 200	✓ R39m	✓ R5m
	✓ Small	✓ 50	✓ R10m	✓ R3m
	✓ Very small	✓ 20	✓ R4m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Manufacturing	✓ Medium	✓ 200	✓ R51m	✓ R5m
	✓ Small	✓ 50	✓ R13m	✓ R3m
	✓ Very small	✓ 10	✓ R5m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Electricity, Gas & Water	✓ Medium	✓ 200	✓ R51m	✓ R5m
	✓ Small	✓ 50	✓ R13m	✓ R3m
	✓ Very small	✓ 20	✓ R5m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Construction	✓ Medium	✓ 200	✓ R26m	✓ R5m
	✓ Small	✓ 50	✓ R6m	✓ R3m
	✓ Very small	✓ 20	✓ R3m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Retail, Motor Trade and Repair Services	✓ Medium	✓ 200	✓ R39m	✓ R5m
	✓ Small	✓ 50	✓ R19m	✓ R3m
	✓ Very small	✓ 20	✓ R4m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m

Industrial Sector Category	Size of Class	Total Full-Time Employees	Total Turnover	Total Gross Asset Value (Fixed Property excl.)
Wholesale Trade, Commercial Agents & Allied Services	✓ Medium	✓ 200	✓ R64m	✓ R5m
	✓ Small	✓ 50	✓ R32m	✓ R3m
	✓ Very small	✓ 20	✓ R6m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Catering, Accommodation and other Trade	✓ Medium	✓ 200	✓ R13m	✓ R5m
	✓ Small	✓ 50	✓ R6m	✓ R3m
	✓ Very small	✓ 20	✓ R5, 10m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Transport, Storage & Communication	✓ Medium	✓ 200	✓ R26m	✓ R5m
	✓ Small	✓ 50	✓ R13m	✓ R3m
	✓ Very small	✓ 20	✓ R3m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Finance and Business Services	✓ Medium	✓ 200	✓ R26m	✓ R5m
	✓ Small	✓ 50	✓ R13m	✓ R3m
	✓ Very small	✓ 20	✓ R3m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m
Community, Social and Personal Services	✓ Medium	✓ 200	✓ R13m	✓ R5m
	✓ Small	✓ 50	✓ R6m	✓ R3m
	✓ Very small	✓ 20	✓ R1m	✓ R0, 50m
	✓ Micro	✓ 5	✓ R0, 20m	✓ R0, 10m

(23) Payment to SMME's (Early Payment Cycles)

SMME's within the Very small and Micro categories will be paid within 30 days of receipt of approved invoice. All other payments are to be within 30 days from date of delivery or in the case of work completed, the date on which the invoice has been approved.

**Part 3: Logistics, Disposal, Risk and Performance Management**

**38. Logistics management**

The accounting officer must establish and implement an effective system of logistics management, which must include -

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved , certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### 39. Disposal management

- (1) The store manager shall on a monthly basis identify obsolete and slow moving stock that should be disposed off.
- (2) He shall motivate for their disposal, together with necessary documentation, to the SCM Manager for recommendation for disposal thereof.
- (3) All such stock disposals must be approved by both, the chief financial officer and the municipal manager.
- (4) Once approved, the stock must be physically transferred for safe keeping and disposal to the disposals unit.

#### 40. Risk management

- (1) The SCM unit shall subscribe to the Municipal Risk Management Policy and its related risk management processes.
- (2) Risks are identified and assessed in terms of impact and likelihood.
- (3) Mitigating measures are developed, implemented and regularly monitored.
- (4) Risk management must include –
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;



- (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

#### **41. Performance management**

The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.



**Part 4: Other matters**

**42. Prohibition on awards to persons whose tax matters are not in order**

- (1) No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

**43. Prohibition on awards to persons in the service of the state**

Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the municipality.

**44. Awards to close family members of persons in the service of the state**

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

#### 45. Code of conduct

- (1) The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) **General Principles**

- a) The municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.
- b) Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.
- c) Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

(3) **Conflict of interest**

An official or other role player involved with supply chain management:

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the municipality.
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;



- (g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) Should not take improper advantage of their previous office after leaving their official position.

**(4) Accountability**

- a) Practitioners are accountable for their decisions and actions to the public.
- b) Practitioners should use public property scrupulously.
- c) Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.
- d) All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- e) Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- f) Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including
  - (i) any alleged fraud, corruption, favouritism or unfair conduct;
  - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
  - (iii) any alleged breach of this code of conduct.
- g) Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

**(5) Openness**

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

**(6) Confidentiality**

- a) Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.

- b) Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

**(7) Bid Specification / Evaluation / Adjudication Committees**

- a) Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- b) Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- c) All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- d) No person should:
  - (i) interfere with the supply chain management system of the municipality\_or
  - (ii) amend or tamper with any price quotation / bid after its submission.

**(8) Combative Practices**

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- a. Suggestions to fictitious lower quotations;
- b. Reference to non-existent competition;
- c. Exploiting errors in price quotations / bids;
- d. Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

**46. Inducements, rewards, gifts and favours to municipalities, officials and other role players**

- (1) This policy ensures that the officials employed by the municipality do not unlawfully, for private gain, accept gifts, rewards or favours from Customers/ Public or any person who either seeks to have or has any business relations with the municipality;

- a) An official, upon possible or actual receipt of a reward or gift of whatever nature and regardless of the total value thereof from a benefactor must immediately disclose this to his or her immediate Manager/Supervisor.
  - b) The prescribed discloser form to be duly completed and signed by the official and handed to the Manager/ Supervisor or in his absence to the official appointed in an Acting capacity.
  - c) The General Manager/ Supervisor must acknowledge receipt of the disclosure form and hand same to the Municipal Manager for his authorisation.
  - d) In the event that the General Manager/ or the Municipal Manager be of the opinion that the gift reward or favour constitutes bribery or will unduly influence the official or enrich him/ her, the General Manager or Municipal Manager will advise the official accordingly in writing.
  - e) Under the circumstances prescribed in clause (d) above, the gift or reward will be returned to the benefactor and the favour refused. The circumstances will be given to the benefactor.
  - f) A register of all gifts, rewards and/ or favours accepted by employees shall be maintained by each Head of Department, which shall be inspected by the Municipal Manager on a monthly basis.
- (2) Exclusions:
- a) Gifts received during conferences, workshops, seminars and meetings which accrue to all participants at same conference, workshop or seminar;
  - b) Gifts received as a token of appreciation for the delivery of an address/ speech at a conference, seminar or workshop;
  - c) Gifts such as calendars, diaries, cufflinks, ties, scarves or articles for normal office use which display the supplier's name, trade mark or logo and which are presented for advertising purposes; and
  - d) Gifts less than R350 in value.
- (3) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

#### 47. Sponsorships

The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) a provider or prospective provider of goods or services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed.

**48. Objections and complaints**

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action indication of their grievance.:

**49. Resolution of objections and complaints against procurement process**

- (1) The accounting officer must appoint an independent and impartial official, not directly involved in the supply chain management processes to assist in the resolution of objections and complaints between the municipality and any other person regarding:
  - a) the implementation of the procurement process in terms of the supply chain management system; or
  - b) any matter arising from the implementation of the procurement process in terms of the supply chain management system.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
  - a) strive to resolve promptly all objections and complaints
  - b) received; and
  - c) submit monthly reports to the accounting officer on all such objections and complaints received, attended to or resolved.
- (4) If the independent and impartial person referred to in paragraph (1), is of the view that a matter should be dealt with in terms of paragraph externally, , he or she shall forthwith refer the matter to the Municipal Bid Tribunals convened at Provincial Treasury; and that Tribunal shall then hear and determine the matter.
- (5) An objection or complaint may be referred to the KwaZulu-Natal Provincial Treasury if:
  - a) the objection or complaint is not resolved within 60 days; or

- b) no response is forthcoming within 60 days.
- (6) If the Provincial Treasury does not or cannot resolve the matter, the objection or complaint may be referred to the National Treasury for resolution.

#### **50. Municipal Bid Appeals Tribunal**

- (1) The council shall utilize a Municipal Bid Appeals Tribunal for matters referred by the Independent & Impartial person referred to in 49 above
- (3) The powers, duties and functions of the Municipal Bid Appeals Tribunal, and matters incidental thereto, are set out in the Rules which are appended to this Supply Chain Management Policy and marked Appendix A.
- (4) The administrative and secretarial work involved in the performance of the duties and functions of the Municipal Bid Appeals Tribunal shall be performed by officers of the Provincial Treasury as set out in the Rules referred to in paragraph
- (5) There shall be no further appeal against a decision of the Municipal Bid Appeals Tribunal, except for where normal legal rights exist, such as referral to High Court for Review./PAJA.

#### **51. Contracts providing for compensation based on turnover**

If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate:

- (a) a cap on the compensation payable to the service provider; and
- (c) that such compensation must be performance based.

#### **52. Roles and responsibilities**

The SCM unit is tasked with the effective and efficient implementation of this policy document, thereby ensuring compliance with and enforcement of the SCM policy.



**53. Monitoring and evaluation**

Internal Audit, as part of their annual audit plan, shall monitor and evaluate compliance with the SCM policy.

**54. Annual review and amendments to the policy**

- (1) The SCM unit is tasked with the annual review of the policy, and to submit the updated policy to the Policy Task Team for review and onward submission through the relevant structures, and culminating in Council approval thereof prior to the commencement of each financial year.
- (2) The SCM unit is also tasked with effecting amendments to the policy during the year, when necessary, and to submit the updated policy to the Policy Task Team for review and onward submission through the relevant structures, and culminating in Council approval thereof.

**55. Commencement of the policy**

This policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

**56. Council approval**

<b>TITLE</b>	Draft Supply Chain Management Policy 2016/2017
<b>VERSION</b>	Version 1. 0
<b>COMPILED BY</b>	Supply Chain Management Unit
<b>EFFECTIVE DATE</b>	30 June 2016
<b>SUMMARY</b>	This document is the Supply Chain Management Policy applicable to the Ugu District Municipality
<b>COUNCIL RESOLUTION NUMBER</b>	



**UGU DISTRICT MUNICIPALITY**

**ASSETS MANAGEMENT POLICY**

## 1. INTRODUCTION

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

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

## 2. DEFINITIONS

- 2.1. **Accounting Standards Board** means the board established in terms of section 87 of the Public Finance Management Act (PFMA). The section refers to the function of the board, which is to establish standards of Generally Recognised Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa
- 2.2. **Assets** are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.
- 2.3. **Asset Manager** is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the municipality's assets in accordance with the council's standards, policies, procedures, and guidelines.
- 2.4. **Infrastructure** means assets that usually display some or all of the following characteristics
  - 2.4.1. they are part of a system or network;
  - 2.4.2. they are specialised in nature and do not have alternative uses;
  - 2.4.3. they are immovable; and
  - 2.4.4. they may be subject to constraints on disposal
  - 2.4.5. Examples of infrastructure assets include road networks, sewer systems, water
  - 2.4.6. and power supply systems and communication networks
- 2.5. **Investment properties**-are defined as properties that are acquired for economic and capital gains. Examples are leased office buildings and underdeveloped land acquired for the purpose of resale in future years.
- 2.6. **Attractive items** are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding.
- 2.7. **Capitalization** is the recognition of expenditure as an Asset in the Financial Asset Register.
- 2.8. **Carrying amount** is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon. is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses
- 2.9. **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.
- 2.10. **Cost of acquisition** is all the costs incurred in bring an item of plant, property or equipment to the required condition and location for its intended use.

- 2.11. Component** is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts
- 2.12. Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.
- 2.13. Depreciable amount** is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value.
- 2.14. Economic Life** is either:
- 2.14.1.** the period over which an asset is expected to yield economic benefits or service potential to one or more users, or
  - 2.14.2.** the number of production or similar units expected to be obtained from the
  - 2.14.3.** asset by one or more users
- 2.15. Enhancement/Rehabilitation** is an improvement or augmentation of an existing asset (including Separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality
- 2.16. Fair value** is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
- 2.17. Financial asset register** is the controlled register recording the financial and other key details for all municipal assets recognized in accordance with this policy.is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements.
- 2.18. Financially Sustainable**, in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—the initial capital expenditure required for the service; operating the service; and maintaining, repairing and replacing the physical assets used in the provision of the service 6
- 2.19. Property, plant, and equipment** are tangible assets that: *Are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose, and are expected to be used during more than one period.*
- 2.20. Recoverable amount** is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.is the higher of a cash-generating asset's or units net selling price and its value in use.
- 2.21. Recognition** is the process by which expenditure is included in the Financial Asset Register as an asset.

- 2.22. Recognition** is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an element (of financial statements) and satisfies the criteria for recognition, namely:
- 2.22.1.** It is probable that any future economic benefit or service potential associated with the item will flow to or from the entity and
  - 2.22.2.** The item has a cost or value that can be measured reliably
- 2.23. Refurbishment/Maintenance** to an asset will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved
- 2.24. Residual value** is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life
- 2.25. Remaining Useful Life** is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness
- 2.26. Service Potential** is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life
- 2.27. Stewardship** is the act of taking care of and managing property, plant or equipment on behalf of another.
- 2.28. Useful life** is either:
- 2.28.1.** *The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality, or*
  - 2.28.2.** *The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.*

### **3. POLICY OBJECTIVES**

- 3.1.** To ensure the effective and efficient control, utilization, safeguarding and management of Ugu District Municipality's property, plant, and equipment.
- 3.2.** To ensure Senior managers are aware of their responsibilities in regards of infrastructure assets.
- 3.3.** To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.
- 3.4.** To specify the process required before expenditure on property, plant and equipment occurs.
- 3.5.** To prescribe the accounting treatment for property, plant and equipment in Ugu District Municipality including:
  - 3.5.1.** The criteria to be met before expenditure can be capitalised as an item of property, plant, and equipment,
  - 3.5.2.** The criteria for determining the initial cost of the different items of property, plant, and equipment,

- 3.5.3. The method of calculating depreciation for different items of property, plant, and equipment,
- 3.5.4. The criteria for capitalising subsequent expenditure on property, plant, and equipment,
- 3.5.5. The policy for scrapping and disposal of property, plant, and equipment,
- 3.5.6. The classification of property, plant, and equipment

#### **4. PRESCRIPTIVE/LEGAL FRAMEWORK**

4.1. This policy must comply with all relevant legislative requirements including:

- 4.1.1. The constitution of the republic of south Africa, 1996
- 4.1.2. Municipal systems act, 2000
- 4.1.3. Municipal Finance Management Act

4.2. This policy does not over rule the requirements to comply with other policies such as:

- 4.2.1. Supply Chain Management Policy
- 4.2.2. Asset Management Policy
- 4.2.3. Disposal Policy
- 4.2.4. Fleet Management Policy
- 4.2.5. Insurance Policy
- 4.2.6. Security Policy
- 4.2.7. Facilities Management Policy

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

- 4.3.1. Property, Plant and Equipment, GRAP 17
- 4.3.2. Inventories, GRAP 12
- 4.3.3. Investment Property, GRAP 16 and
- 4.3.4. Impairment of Non-cash generating assets, GRAP 21

4.4. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation, or regulations

#### **5. POLICY APPLICATION**

5.1. This policy applies to all Ugu District Municipality's permanent and temporary employees: internal or external contractors (hereafter referred to as "Users" and "Third Parties") who utilise the Municipality's assets.

#### **6. ROLES AND RESPONSIBILITIES**

6.1. **The Municipal Manager**

- 6.1.1. is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.
- 6.1.2. Shall ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- 6.1.3. Shall ensure that the municipality's assets are valued in accordance with standards of generally recognized accounting practice
- 6.1.4. Shall ensure that the municipality has and maintains a system of internal control of assets, including an asset register; and

- 6.1.5. Shall ensure that the General Managers and their departments comply with this policy
- 6.1.6. Shall ensure that all items of property plant and equipment are insured immediately at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.
- 6.1.7. Shall recommend to the Council of the Municipality, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of asset: either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

**6.2. The Chief Financial Officer.**

- 6.2.1. The CFO shall be the custodian of the fixed asset register of the Municipality;
- 6.2.2. No amendments, deletions or additions to the fixed asset register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.
- 6.2.3. Appropriate systems system of financial management and internal control are established and carried out diligently around asset management;
- 6.2.4. Shall ensure that the financial and other resources of the municipality are utilized effectively, efficiently, economically, and transparently;
- 6.2.5. Shall ensure that any unauthorized, irregular, or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- 6.2.6. Shall provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Fixed Asset Register.
- 6.2.7. Shall ensure that financial processes are established and maintained ensure the municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- 6.2.8. Shall ensure that the municipal manager is appropriated advised on the exercise of powers and duties pertaining to the financial administration of assets;
- 6.2.9. Shall ensure that this policy and any supporting procedures or guidelines are established, maintained, and effectively communicated

**6.3. Asset Manager:**

- 6.3.1. Shall ensure that complete asset registers kept, verified, and balanced regularly.
- 6.3.2. Shall ensure that all movable and immovable assets are properly bar coded and accounted for.
- 6.3.3. Shall ensure that quarterly physical verification for movable assets are conducted
- 6.3.4. Shall ensure that annual physical verification for immovable assets are conducted.
- 6.3.5. Shall ensure that adequate bar codes and equipment to exercise the function relating to asset management is available at all times.
- 6.3.6. Shall ensure that all assets are insured in accordance with the Insurance Policy.
- 6.3.7. Shall ensure that the Fixed Asset Register is balanced quarterly and annually with the general ledger and the Trial balance/financial statements.
- 6.3.8. Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the Budget Treasury Office department in the prescribed format.
- 6.3.9. Shall ensure that asset acquisitions are allocated to the correct asset code.

- 6.3.10. Shall ensure that, before accepting an obsolete or damaged asset, a completed asset disposal form, counter signed by the Asset Management Section, is presented.
- 6.3.11. Shall ensure that a verifiable record is kept of all obsolete, damaged, and unused asset or asset inventory items received from all the departments.
- 6.3.12. shall issue an asset control sheet which shall serve as a control register for all moveable assets of the Municipality. The responsible official shall sign the asset control sheet to confirm the receipt and custody of the list of assets in their offices.
- 6.3.13. Shall compile a list of the items to be auctioned in accordance with the Supply Chain Management (SCM) Policy.
- 6.3.14. Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.
- 6.3.15. Shall ensure that the SCM unit is notified of any auctioning or disposing of written-off asset.

**6.4. General Managers**

- 6.4.1. Shall ensure that employees in their departments adhere to the approved Asset Management Policy.
- 6.4.2. Shall ensure that an assets coordinator with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset Management Section must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the general manager.
- 6.4.3. Shall ensure that employees who contravenes the operational procedure or who use the municipal assets negligence and for their personal gain are disciplined accordingly.
- 6.4.4. shall be directly responsible for the physical safekeeping of any asset controlled or used by the Department in question.
- 6.4.5. In exercising this responsibility, shall adhere to any written directives issued by the Municipal Manager to the Department in question, or generally to all Departments, in regard to the control of or safekeeping of the Municipality's fixed assets.

**6.5. General Manager responsible for Infrastructure Assets.**

- 6.5.1. Shall ensure that a maintenance policy is approved and properly implemented.
- 6.5.2. Shall develop a maintenance plan for the infrastructure assets for their section.
- 6.5.3. Shall ensure that their departments had implemented operational procedures.
- 6.5.4. Shall ensure that assets are properly maintained in accordance with the maintenance policy.
- 6.5.5. Shall ensure that the assets of the council are not used for private gain.
- 6.5.6. Shall ensure that all their movable assets as reflected on the Fixed Asset Register and are bar coded where possible.
- 6.5.7. Shall ensure that the Asset Management Section is notified of any changes in the status of the assets under the department's control.
- 6.5.8. Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- 6.5.9. Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Section without delay.

- 6.5.10. Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- 6.5.11. Shall assist during the annual physical verification of infrastructure assets including the land and building.
- 6.5.12. Shall develop an infrastructure assets management plan for their department such as Water supply, Sanitation, Solid waste, and other Properties.
- 6.5.13. Shall unbundled or componentized and assign estimated useful life to each component of all completed projects during the financial year and submit the componentized list to the Asset Management Unit for updating the asset register.
- 6.5.14. Shall sign and date declarations stating that the list of componentized assets for their departments is complete & accurate except for the discrepancies as reported to Asset Management Unit.

#### **6.6. All Municipal Personnel**

- 6.6.1. Shall ensure that assets assigned to them are utilized effectively, efficiently, economically, and transparently
- 6.6.2. Shall ensure that the assets of the municipal are not used for private gain
- 6.6.3. Shall notify the assets coordinators and assets management section of all obsolete, damaged, and stolen assets, without delay.
- 6.6.4. Shall make available the assets under their possession for verification by the assets management unit quarterly and annually.
- 6.6.5. Shall ensure that all assets under their possession are properly bar-coded.
- 6.6.6. Shall ensure that on termination of service they returned the assets to their supervisors and complete a termination assets clearance form.
- 6.6.7. Shall notify the asset coordinators and assets management unit of the movement and transfer of assets assigned to them by completing an assets transfer form.
- 6.6.8. Shall ensure that they comply with the operational procedures.

### **7. POLICY PRINCIPLES: ASSET MANAGEMENT PART**

#### **7.1. Pre-Acquisition Planning:**

- 7.1.1. Before a capital project is included in the budget for approval, the senior manager of the relevant department must demonstrate that they have considered:
  - 7.1.2. The projected cost over all the financial years until the project is operational;
  - 7.1.3. The future operational costs and revenue on the project, including tax and tariff implications;
  - 7.1.4. The financial sustainability of the project over its life including revenue generation and
  - 7.1.5. The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal, and rehabilitation;
  - 7.1.6. The inclusion of this capital project in the integrated development plan and future budgets:
  - 7.1.7. The chief financial officer is accountable to ensure the senior manager of the relevant department receives all reasonable assistance, guidance, and explanation to enable them to achieve their planning requirements.



**7.2. Approval to Acquire Property Plant and Equipment:****7.2.1. Money can only be spent on a capital project if:**

- 7.2.1.1.** The money has been appropriated in the capital budget,
- 7.2.1.2.** The project, including the total cost, has been approved by the council,
- 7.2.1.3.** The CFO confirms that funding is available for that specific project, and
- 7.2.1.4.** Any contract that will impose financial obligations beyond two years after the budget year must be appropriately disclosed.
- 7.2.1.5.** Acquisition of the Assets will then follow the normal process of the Supply Chain
- 7.2.1.6.** Management Policy and Procedures

**7.3. Funding of capital projects**

Within the municipality's on-going financial, legislative, or administrative capacity, the chief financial officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its Strategic objectives as stated in the integrated development plan.

**7.4. Disposal of property plant and equipment**

- 7.4.1.** The municipality may dispose of an asset in line with the Asset Disposal Policy

**7.5. Establishment and Management of the Financial Asset Register**

- 7.5.1.** The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition. Asset Manager are responsible for establishing and maintaining any additional register or database required to demonstrate their physically management of their assets.
- 7.5.2.** The Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition all assets in the registers.

**7.6. Contents of the Financial Asset Register**

- 7.6.1.** The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of Generally Recognised Accounting Practice (GRAP) and any other accounting requirements which may be prescribed.
- 7.6.2.** The fixed asset register shall reflect at least the following information:
  - 7.6.2.1.** A brief but identifiable description of each asset
  - 7.6.2.2.** classification of each asset
  - 7.6.2.3.** the date on which the asset was acquired for use
  - 7.6.2.4.** the location of the asset
  - 7.6.2.5.** the departments within which the assets will be utilized
  - 7.6.2.6.** the responsible person for this asset
  - 7.6.2.7.** the title deed number, in the case of fixed property
  - 7.6.2.8.** the stand number, in the case of fixed property
  - 7.6.2.9.** a unique identification number
  - 7.6.2.10.** the original cost or fair value if no costs are available

- 7.6.2.11. the (last) effective date of revaluation of the fixed assets subject to revaluation
- 7.6.2.12. the revalued value of such fixed assets
- 7.6.2.13. the valuer who did the (last) revaluation
- 7.6.2.14. accumulated depreciation to date
- 7.6.2.15. the carrying value of the asset
- 7.6.2.16. whether this is a cash or non-cash generating asset
- 7.6.2.17. the method and, where applicable, the rate of depreciation
- 7.6.2.18. impairment losses
- 7.6.2.19. impairment recovery
- 7.6.2.20. the source of financing
- 7.6.2.21. whether the asset is required to perform basic municipal services;
- 7.6.2.22. the date on which the asset is disposed of
- 7.6.2.23. the disposal proceeds
- 7.6.2.24. the date on which the asset is retired from active use, and held for disposal
- 7.6.2.25. the residual value of each asset
- 7.6.2.26. measurement model

- 7.6.3. An asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as Work-In-Progress until it is available for use, where after it shall be appropriately capitalised as an asset.
- 7.6.4. An 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.

#### **7.7. Physical Verification of all assets**

- 7.7.1. The Asset Management Section shall conduct a physical verification quarterly for movable assets and annually for immovable assets.
- 7.7.2. The cooperation of all Municipal personnel shall be required in accomplishing the physical Verification task in attempt to minimize the time demanded of them.
- 7.7.3. The designated officials in the different Departments within municipality must execute the functions listed below:
  - 7.7.3.1. Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included
  - 7.7.3.2. Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Section.
  - 7.7.3.3. Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.

## **7.8. Classification, aggregations & components**

### **7.8.1. Classification of Assets**

**7.8.1.1.** Assets that meet the definition and the recognition criteria shall be capitalized in the fixed assets register and be classified as follows

**7.8.1.2.** Property Plant and equipment if its meet the definition of property plant and equipment as per GRAP 17,

**7.8.1.3.** Intangibles assets if its meet the definition of an intangible assets as GRAP 102,

**7.8.1.4.** Investment properties if it's the definition of the investment properties as per GRAP 16

### **7.8.2. Major Component**

**7.8.2.1.** The Asset Manager may, with agreement of the Chief Financial Officer, treat specified major Components of an item of property plant or equipment as a separate asset for the purposes of this Policy.

**7.8.2.2.** These major components may be defined by its physical parameters or its financial parameters.

**7.8.2.3.** In agreeing to these treatments, the CFO must be satisfied that these components:

**7.8.2.3.1.** *Have significantly a different useful life or usage pattern to the main asset,*

**7.8.2.3.2.** *Align with the asset management plans,*

**7.8.2.3.3.** *The benefits justify the costs of separate identification,*

**7.8.2.3.4.** *It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,*

**7.8.2.3.5.** *The cost of the asset to the municipality can be measured reliably,*

**7.8.2.3.6.** *The municipality has gained control over the asset,*

**7.8.2.3.7.** *The asset is expected to be used during more than one financial year.*

**7.8.2.4.** Once a major component is recognized as a separate asset, it may be acquired, depreciated, and disposed of as if it were a separate asset.

**7.8.2.5.** All other replacements, renewals of refurbishments of components will be expensed.

## **8. POLICY PRINCIPLES: ACCOUNTING POLICY PART:**

### **8.1. Recognition of Assets**

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

**8.1.1.** it is probable that future economic benefits or service potential associated with the item will flow to the entity, and

**8.1.2.** the cost or fair value of the item can be measured reliably

### **8.2. Measurement at recognition.**

**8.2.1.** An item of assets that qualifies for recognition as an asset shall be measured at its cost.

**8.2.2.** Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

### **8.3. Elements of cost**

The cost of an item of property, plant and equipment comprises:

- 8.3.1.** Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- 8.3.2.** Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- 8.3.3.** The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
- 8.3.4.** Examples of directly attributable costs are:
  - 8.3.4.1.** Costs of employee benefits (as defined in the Standard of Generally Recognised Accounting Practice on *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant, and equipment,
  - 8.3.4.2.** costs of site preparation,
  - 8.3.4.3.** initial delivery and handling costs,
  - 8.3.4.4.** installation and assembly costs,
  - 8.3.4.5.** costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items produced while bringing the asset to that location and condition
  - 8.3.4.6.** Professional fees.

### **8.4. Measurement after recognition**

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses

- 8.4.1.** Each part of an item of property, plant, and equipment with a cost that insignificant in relation to the total cost of the item shall be depreciated separately
- 8.4.2.** The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.
- 8.4.3.** Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
- 8.4.4.** Depreciation of an asset ceases when the asset is derecognised.
- 8.4.5.** Therefore, depreciation does not cease when the asset become idle or is retired from active use held for disposal unless the asset is fully depreciated.
- 8.4.6.** The depreciable amount of an asset is determined after deducting its residual value.
- 8.4.7.** The residual value for infrastructure assets, Heritage assets, community assets and intangible assets shall be zero at initial measurement.

### **8.5. Initial determination useful life**

- 8.5.1.** The asset management unit needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life that

asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

- 8.5.1.1.1. The operational, maintenance, renewal and disposal program that will optimize the expect long term costs of owning that asset,
- 8.5.1.1.2. economic obsolescence because it is too expensive to maintain,
- 8.5.1.1.3. functional obsolescence because it no longer meets the municipalities needs,
- 8.5.1.1.4. technological obsolescence,
- 8.5.1.1.5. social obsolescence due to changing demographics, and
- 8.5.1.1.6. Legal obsolescence due to statutory constraints

#### **8.6. Rate of depreciation**

- 8.6.1. The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the Municipality's fixed asset register. In determining such a useful life the Chief Financial Officer shall adhere to the useful lives of assets set out in this Policy document. *Refer to Annexure A: Useful Lives*
- 8.6.2. In the case of an asset which is not listed in useful lives of assets, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the Head of Department who shall control or use the asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

#### **8.7. Review of useful life, depreciation method and the residual value**

- 8.7.1. The useful life, depreciation method and the residual value applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method, useful life and residual value shall be changed to reflect the changed pattern.
- 8.7.2. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates, and Errors

#### **8.8. Review of depreciation method**

- 8.8.1. The depreciation method applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates, and Errors.

#### **8.9. Alternative methods of depreciation in specific instances**

- 8.9.1. The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of assets which are physically wasted in providing economic benefits or delivering services.
- 8.9.2. The Chief Financial Officer shall only employ this method of depreciation if the Head of Department controlling or using the asset in question gives a written undertaking to the Municipal Manager to provide:

- 8.9.2.1. estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and
- 8.9.2.2. actual statistical information, for each financial year.
- 8.9.3. The Head of Department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.
- 8.9.4. Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the Municipality of the decision in question.

#### **8.10. *Subsequent expenditure on property plant and equipment***

- 8.10.1. Assets are often modified during their life. There are two main types of modification:
  - 8.10.1.1. **Enhancements / Rehabilitation:**
    - 8.10.1.1.1. This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.
    - 8.10.1.1.2. These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.
    - 8.10.1.1.3. Disbursements of this nature relating to an asset, which has already been recognized in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the Council over the remaining life of the asset.
    - 8.10.1.1.4. To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:
      - 8.10.1.1.4.1. Modification of an item or plant to extend its useful life, including an increase in its capacity;
      - 8.10.1.1.4.2. Upgrading machine parts to achieve a substantial improvement in the quality of output;
        - 8.10.1.1.4.2.1. Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;
        - 8.10.1.1.4.2.2. Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;
      - 8.10.1.1.4.3. Improve the performance of the asset
    - 8.10.1.1.5. Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future

economic benefits or service potential that a municipality can expect from the asset.

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

**8.10.1.2. *Maintenance / Refurbishments***

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

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

**8.11. IMPAIRMENT OF ASSETS**

**8.11.1.** The Municipality shall assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality shall estimate the recoverable service amount of the asset

**8.11.2.** Irrespective of whether there is any indication of impairment, the Municipality shall also test an intangible asset with an indefinite life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

**8.11.3.** In assessing whether there is any indication that an asset may be impaired the Municipality shall consider as a minimum the following indications:

**8.11.4. External indicators**

**8.11.4.1.** Cessation or near cessation of the demand or need for services provided by the asset

**8.11.4.2.** Significant long term changes with an adverse effect on the on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment which the Municipality operates.

**8.11.5. Internal indicators**

**8.11.5.1.** Evidence is available of physical damage of an asset

**8.11.5.2.** Significant long term 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 manner in which the asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset

belongs or plans to dispose of an asset before the previously expected date

- 8.11.5.3.** A decision to halt the construction of the asset before it is complete or in a usable condition
- 8.11.5.4.** Evidence is available from internal reporting that indicates that the service performance of an asset is or will be significantly worse than expected
- 8.11.6.** The Chief Financial Officer shall amend the useful operating life assigned to any asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.
- 8.11.7.** If the value of property plant and equipment has been diminished to such an extent that it has no or a negligible further useful operating life or value such asset shall be fully depreciated in the financial year in which such diminution in value occurs.
- 8.11.8.** Similarly, if an item of property, plant and equipment has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the asset has physically ceased to exist, it shall be written off the fixed asset register.
- 8.11.9.** Every General Manager shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the Department in question is promptly reported in writing to the Chief Financial Officer, to the Internal Auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.
- 8.11.10.** In all the foregoing instances, the additional depreciation expenses shall be debited to the Department or Vote controlling or using the asset in question.

## **8.12. Derecognition Of Assets**

- 8.12.1.** 23.1 The carrying amount of an item of property plant and equipment shall be derecognised:
  - 8.12.1.1.** a) On disposal, or
  - 8.12.1.2.** b) When no future economic benefits or service potential are expected from its use or disposal
- 8.12.2.** The gain or loss arising from the derecognition of an item of property plant and equipment shall be included in surplus or deficit when the item is derecognised
- 8.12.3.** The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds if any and the carrying amount of an item.
- 8.12.4.** Every Head of Department shall report in writing to the Manager: Assets all assets controlled or used by the Department concerned which such Head of Department wishes to alienate by public auction. The Manager: Assets shall thereafter consolidate the requests received from the various Departments, and shall promptly report such consolidated information to the Disposal Committee of the Municipality, refer to Disposal Policy.



- 8.12.5. Once the item of property, plant, and equipment is disposed, the Chief Financial Officer shall delete the relevant records from the fixed asset register.
- 8.12.6. 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.

**8.13. Other write-offs of assets**

- 8.13.1. The item of property, plant, and equipment even though fully depreciated shall be written off only on the recommendation of the Head of Department controlling or using the asset concerned, and with the approval of the Council of the Municipality.
- 8.13.2. Every General Manager shall report to The Manager: Assets any items of property, plant, and equipment which such General Manager wishes to have written off, stating in full the reason for such recommendation. The Manager: Assets shall consolidate all such reports, and shall promptly submit a recommendation to the disposal committee on the assets to be written off.
- 8.13.3. The only reasons for writing off property, plant and equipment other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the asset in question.
- 8.13.4. In every instance where a not fully depreciated asset is written off, the Chief Financial Officer shall immediately debit to such Department or Vote, as additional depreciation expenses, the full carrying value of the asset concerned

**9. Financial Disclosure**

- 9.1. The financial statements shall disclose, for each class of property, plant, and equipment recognised in the financial statements:
  - 9.1.1. the measurement bases used for determining the gross carrying amount,
  - 9.1.2. the depreciation methods used,
  - 9.1.3. the useful lives or the depreciation rates used,
  - 9.1.4. the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period, and
  - 9.1.5. a reconciliation of the carrying amount at the beginning and end of the period showing:
    - 9.1.5.1. additions,
    - 9.1.5.2. disposals,
    - 9.1.5.3. acquisitions through business combinations,
    - 9.1.5.4. increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in net assets under the Standard of GRAP on Impairment of Assets, impairment losses recognised in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,
    - 9.1.5.5. impairment losses reversed in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,
    - 9.1.5.6. depreciation,
- 9.2. The financial statements shall also disclose for each class of property, plant, and equipment recognised in the financial statements:

- 9.2.1. the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities,
- 9.2.2. the amount of expenditures recognised in the carrying amount of an item of property, plant, and equipment in the course of its construction,
- 9.2.3. the amount of contractual commitments for the acquisition of property, plant, and equipment, and
- 9.2.4. If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.
- 9.2.5. If items of property, plant and equipment are stated at revalue amounts, the following shall be disclosed:
  - 9.2.5.1. the effective date of the revaluation,
  - 9.2.5.2. whether an independent valour was involved,
  - 9.2.5.3. the methods and significant assumptions applied in estimating the items' fair values,
  - 9.2.5.4. the extent to which the items' fair values were determined directly by
    - 9.2.5.4.1. reference to observable prices in an active market or recent market
    - 9.2.5.4.2. transactions on arm's length terms or were estimated using other
    - 9.2.5.4.3. valuation techniques,
    - 9.2.5.4.4. for each revalue class of property, plant, and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model, and
    - 9.2.5.4.5. The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.
- 9.2.6. Financial statements shall also disclose the following for each class of property, plant, and equipment:
  - 9.2.6.1. The carrying amount of temporarily idle property, plant, and equipment,
  - 9.2.6.2. The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, and
  - 9.2.6.3. The carrying amount of property, plant and equipment retired from active use and held for disposal.
- 9.2.7. The financial statement shall disclose the following for each class of intangible assets, distinguishing between the internally generated intangible assets and other intangibles assets:
  - 9.2.7.1. Whether the useful lives are indefinite or finite and, if finite, the useful
  - 9.2.7.2. Lives or the amortisation rates used.
  - 9.2.7.3. The amortisation methods used for intangible assets with finite useful lives.
  - 9.2.7.4. The gross carrying amount and any accumulated amortisation
  - 9.2.7.5. (Aggregated with accumulated impairment losses) at the beginning and end of the period.
  - 9.2.7.6. The line item(s) of the statement of financial performance in which any amortisation of intangible assets is included.
  - 9.2.7.7. A reconciliation of the carrying amount at the beginning and end of the period showing:
    - 9.2.7.7.1. additions, indicating separately those from internal development and those acquired separately;

- 9.2.7.7.2. disposals;
- 9.2.7.7.3. assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the Standard of GRAP on Non-Current Assets Held for Sale and Discontinued Operations;
- 9.2.7.7.4. increases or decreases during the period resulting from revaluations under paragraphs .78, .88 and .89 and from impairment losses recognised or reversed directly in net assets in accordance (if any) with the Standards of GRAP on Impairment of Assets;
- 9.2.7.7.5. impairment losses recognised in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets;
- 9.2.7.7.6. impairment losses reversed in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets);
- 9.2.7.7.7. any amortisation recognised during the period; net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and
- 9.2.7.7.8. Other changes in the carrying amount during the period.

## **10. MONITORING AND EVALUATION**

- 10.1. This Policy shall be monitored and evaluated by the General Manager: Budget Treasury Office and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee, and Full Council Meetings.

## **11. COMMENCEMENT OF THE POLICY**

- 11.1. This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

## **12. AMENDMENT AND/OR ABOLITION**

- 12.1. This policy may be amended or repealed by the Municipality through a Council Resolution.

## **13. COMPLIANCE AND ENFORCEMENT**

- 13.1. Violation or non-compliance with this policy will give a just cause for disciplinary steps to be taken.

## **14. POLICY REVIEW**

- 14.1. This Policy will be reviewed annually to ensure applicability and relevance.

## **15. APPEAL PROCESS/ GRIEVANCE PROCEDURE**

- 15.1. The policy must also state what will happen if one of the users thereof is not satisfied or there is a violation with the implementation process.

## **16. RECORDS OF APPROVAL**



**ANNEXURE A: ASSET USEFUL LIVES****1. INFRASTRUCTURE ASSETS**

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

<b>1.1. WATER</b>	
1.1.1. Mains	(20)
1.1.2. Supply and reticulation networks	(20)
1.1.3. Reservoirs and storage tanks	(20)
1.1.4. Meters	(15)
1.1.5. Rights (that is, the right to draw water from a particular source belonging to another party)	(20)
<b>1.2. SEWERAGE</b>	
1.2.1. Sewer mains	(20)
1.2.2. Outfall sewers	(20)
1.2.3. Sewage purification works	(20)
1.2.4. Sewerage pumps	(15)
1.2.5. Sludge machines	(15)
<b>1.3. PEDESTRIAN MALLS</b>	
1.3.1. Footways	(20)
1.3.2. Kerbing	(20)
1.3.3. Paving	(20)
<b>1.4. SECURITY MEASURES</b>	
1.4.1. Access control systems	(5)
1.4.2. Security systems	(5)
1.4.3. Security fencing	(3)

**2. INVESTMENT ASSETS**

2.1. It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each municipality. However, the following will be among the most frequently encountered:

2.1.1. Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties)	(30)
2.1.2. Shopping centres (again developed along similar lines)	(30)
2.1.3. Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit)	(30)

### 3. **BUILDINGS**

3.1. The following is a list of buildings assets, again showing the estimated useful life in years in brackets:

3.1.1. Abattoirs	(30)
3.1.2. Asphalt plant	(30)
3.1.3. Cable stations	(30)
3.1.4. Caravan parks	(30)
3.1.5. Compacting stations	(30)
3.1.6. Hostels used to accommodate the public or tourists	(30)
3.1.7. Hostels for municipal employees	(30)
3.1.8. Housing schemes	(30)
3.1.9. Kilns	(30)
3.1.10. Laboratories	(30)
3.1.11. Fresh produce and other markets	(30)
3.1.12. Nurseries	(30)
3.1.13. Office buildings	(30)
3.1.14. Old age homes	(30)
3.1.15. Quarries	(30)
3.1.16. Tip sites	(30)
3.1.17. Training centres	(30)
3.1.18. Transport facilities	(30)
3.1.19. Workshops and depots	(30)

### 4. **OTHER ASSETS**

4.1. The following is a list of other assets, again showing the estimated useful life in years in brackets:

#### 4.1.1. **OFFICE EQUIPMENT**

4.1.1.1. Computer hardware	(5)
4.1.1.2. Computer software	(3-5)
4.1.1.3. Office machines	(3-5)
4.1.1.4. Air conditioners	(5-7)

#### 4.1.2. **FURNITURE AND FITTINGS**

4.1.2.1. Chairs	(7-10)
4.1.2.2. Tables and desks	(7-10)
4.1.2.3. Cabinets and cupboards	(7-10)
4.1.2.4. Bins and containers Household refuse bins	(5)
4.1.2.5. Bulk refuse containers	(10)
4.1.2.6. Emergency equipment Fire hoses	(5)
4.1.2.7. Other fire-fighting equipment	(15)
4.1.2.8. Emergency lights	(5)

**4.1.3. MOTOR VEHICLES**

4.1.3.1. Ambulances	(5-
10)	
4.1.3.2. Fire engines	(20)
4.1.3.3. Buses	(15)
4.1.3.4. Trucks and light delivery vehicles	(5-
7)	
4.1.3.5. Ordinary motor vehicles	(5-
7)	
4.1.3.6. Motor cycles	(3)

**4.1.4. PLANT AND EQUIPMENT**

4.1.4.1. Graders	(10-
15)	
4.1.4.2. Tractors	(10-
15)	
4.1.4.3. Mechanical horses	(10-
15)	
4.1.4.4. Farm equipment	(5)
4.1.4.5. Lawn mowers	(2)
4.1.4.6. Compressors	(5)
4.1.4.7. Laboratory equipment	(5)
4.1.4.8. Radio equipment	(5)
4.1.4.9. Firearms	(5)
4.1.4.10. Telecommunication equipment	(5)
4.1.4.11. Cable cars	(15)
4.1.4.12. Irrigation systems	(15)
4.1.4.13. Cremators	(15)
4.1.4.14. Lathes	(15)
4.1.4.15. Filling equipment	(15)
4.1.4.16. Conveyors	(15)
4.1.4.17. Feeders	(15)
4.1.4.18. Tippers	(15)
4.1.4.19. Pulverising mills	(15)

**4.1.5. OTHER**

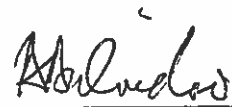
4.1.5.1. Aircraft	(15)
4.1.5.2. Watercraft	(15)

## *Ugu District Municipality*

### **Quality Certificate**

I **Dhanpalan Devaraj Naidoo, Municipal Manager of Ugu District Municipality** hereby certify that the Adjustment Budget 2019/2020 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act, and that the Adjustments Budget and supporting documentation are consistent with the Integrated Development Plan of the municipality

Name:   
MUNICIPAL MANAGER

Signature: 

Date: \_\_\_\_\_