

## COUNCIL POLICY

**SUBJECT** : ASSET MANAGEMENT POLICY

**REFERENCE** : 5.1.5

**RESOLUTION NR** :17/09/2006                      **DATE** : September 2006

**POLICY PHYLOSOPHY** : To assist Management and Officials of the Municipality on asset related issues and to ensure the consistent, effective and efficient asset management principles.

### **OBJECTIVES**

1. To safeguard the fixed asset of the Municipality and to ensure the effective use of the existing resources.
2. To emphasize a culture of accountability over the Municipality's fixed assets.
3. To ensure that effective controls are communicated to management and staff, through clear and comprehensive written documentation.
4. To provide a formal set of financial procedures that can be implemented to ensure the Municipality is in compliance with the General Accepted Municipal Accounting Procedures (GAMAP) and the Municipal Finance Management Act (MFMA).
5. To establish the criteria that must be met before capital expenditure can be capitalized as an asset in the Balance Sheet.
6. To classify the different categories of assets according to the asset's nature, use and location.
7. To set up rules to determine the value of assets that will be brought into the books and records of the Municipality.
8. To set rules for establishing the useful life of the category of assets and calculation of depreciation per asset category.
9. To set criteria for the future revaluation of assets, procedures for the scraping and sale of assets and procedures for the management and control of assets.

10. To establish procedures for the annual physical verification of assets.
11. To set procedures on the treatment of assets held under finance leases and on the handling of inventory assets.

## **DEFINITIONS**

These definitions were taken from the General Accepted Municipal Accounting Practice guidelines regarding assets:

### 1. **Fixed Assets**

A fixed asset is an asset with a useful life of more than one year and is used in the business of the Municipality.

Characteristics of a depreciable fixed asset are the following:

1. It is estimated that the asset will be used for more than one financial period.
2. Has a limited useful life.
3. Is used in a process of delivering services.

"**An Asset**" is resources controlled by the Municipality as a result of past events and from which future economic benefits or potential services provision are expected to flow to the Municipality.

**Property, Plant and equipment** are tangible assets that:

1. Are held by the Municipality for use in production or supply of goods or services, for rental to others, administrative purpose.
2. Are expected to be used during more than one period.

**Infrastructure Asset** are assets that are part of a network of similar assets. Examples are roads, water reticulation schemes sewerage purification works.

**Community Assets** are assets that contribute to the community's well being. Examples are parks, libraries and fire stations.

**Heritage Assets** are cultural significant resources. Examples are works of art, manuscript, historical buildings and statutes.

**Investment Properties** are properties acquired for economic and capital gains. Examples are plant and equipment (e.g. Sewerage plant), motor vehicles and furniture and fittings.

2. **Cost**

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

VAT input tax must be included in the cost of a fixed asset only if the tax cannot be Claimed (e.g. VAT on passenger vehicles acquired).

3. **Useful Life**

Is either:

1. The period of time over which an asset is expected to be used by the Municipality.
2. The number of production or similar units expected to be obtained from the asset by the Municipality.

4. **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 cost of the disposal.

5. **Fair Value**

Is the amount for which an asset could be exchanged between knowledgeable; willing parties in an arm's length transaction.

6. **Carrying Value**

Is the amount at which an asset is included in the Balance Sheet after deducting any accumulated depreciation thereon.

7. **Recoverable Amount**

Is the amount that the Municipality expects to recover from future use of an asset including its residual value on disposal.

8. **A Finance Lease**

Is a lease which in effect transfers substantially all the risk and rewards associated with ownership of an asset from the lessor to the lessee.

9. **An Operating lease**

Is a lease other than a finance lease where substantially all the risks and rewards associated with ownership are not transferred to the lessee.

10. **Development**

Is the application of research findings or other knowledge to a plan or design for the production of new substantially improved materials, devices products, processes or services prior to the commencement of commercial production or use. Development will only constitute a capital expense if it can be linked to an asset.

11. **Research**

Is an original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Research will only constitute a capital expense when it can be linked to an asset.

12. **Depreciation**

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

13. **Depreciable Amount**

Is the cost of an asset or any other amount that substitutes the cost of an asset e.g. fair value of the asset that is reflected in the Financial Statements.

14. **Municipality**

Means a municipality as described in Section 2 of the Municipal System Act, 2000 (Act 32 of 2000).

15. **Municipal Council**

Refers to the members appointed in terms of Section 157 of the Constitution, 1996 (Act 1 of 1996) who make decisions concerning the exercise of the powers and functions of the municipality.

## 16. **Municipal Manager**

Means a person appointed in terms of Section 82(1)(a) or (b) of the Municipal Structures Act, 1998 (Act 117 of 1998) who is the chief of administration and the accounting officer of the municipality.

### **GUIDELINES**

#### 1. **Transfer of Fixed Assets from State Departments or other Municipalities**

- 1.1 The entire individual fixed asset items that are transferred from State Departments or other Municipalities have to be valued, as these assets will represent the take on values. All the relevant assets are acquired based on the going concern concept at values.
- 1.2 After all the assets have been valued, their useful lives will be determined as the transferred assets will be depreciated over, their useful lives.
- 1.3 The transferred assets will be valued on the following bases:
  - 1.3.1 Motor vehicles will be valued at the value of each vehicle per the Auto Dealer Guide.
  - 1.3.2 Furniture and fittings and office equipment must be included as stimulation.
  - 1.3.3 Building and grounds will be valued as per valuation roll.
- 1.4 Desktop- and laptop computers and printers will be valued as follows:
  - 1.4.1 Extracting a schedule of each type and model of personal computers, comprising CPU, monitor, keyboard and mouse.
  - 1.4.2 Requesting our computer consultants to place a value on each of the type of personal computers and printers.
  - 1.4.3 Applying the above value to the quality of each type of personal computer and printer in use at each office.

#### 2. **Capitalization of Assets**

- 2.1 Fixed assets with a cost or value of R10 000,00 or more per unit will be capitalized and therefore recorded in the Fixed Asset Register and depreciation over its useful life.

- 2.2 Fixed asset with a cost or value between R500,00 and R10 000,00 will be written off to the Income Statement as Inventory Assets on purchase and will not be recorded in the Fixed Asset Register. Asset with a value less than R500,00 is seen as disposable and is not entered into the inventory register.
- 2.3 All changes to computers, i.e. software, motherboards and cards will be written off on purchase to computer repairs and replacements.
- 2.4 Recoverable works e.g. water, sewerage, and electricity connections will not be capitalized as an asset. These expenses will be debited directly to the Income Statement.
- 2.5 Roads and Robots with a value of more than R10 000,00 will be capitalized per extension situated in the Municipality. Other traffic signs with a value of more than R10 000,00 will be maintained in the asset register per road.
- 2.6 All infrastructure assets will where possible be capitalized per individual asset that forms part of the infrastructure asset. (E.g. for a water reservoir the reservoir will be split from the pump, generator and pipes that contributed to the total amount of the infrastructure asset.)
- 2.7 Any asset e.g. roads, street lighting and storm water curbs that is obtained and managed by the Municipality as a result of urban development will be capitalized as an asset when it occurs.

### **3. Fixed Asset and Depreciation**

- 3.1 Computer equipment - will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.
- 3.2 Furniture fittings and equipment - will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.
- 3.3 Office Equipment - will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.
- 3.4 Motor vehicles - will be recorded at cost and written down to R0 over their useful lives by the straight-line method of depreciation.

- 3.5 Lease assets - fixed assets obtained under finance lease and suspense sale agreement are capitalized at cost excluding finance charges and written down to R0 over the period of the lease.
- 3.6 Research and Development - expenditure on research and development is normally charged against operating income and not deffered. However, development cost is capitalized in respect of unique projects that are deemed to be useful to the Municipality. Cost thus capitalized are amortized over the estimated useful lives of the asset or system.

Development costs are only capitalized when the following criteria are met:

- The project is clearly defined and the cost attributable to the project can be separately identified and measured reliably;
- The technical feasibility of the project can be demonstrated;
- The usefulness of the project to Municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the category of assets.

- 3.7 Recognition of assets - assets will only be capitalized as an asset in the balance sheet when the following criteria are met.
- 3.7.1 Future economic benefits or potential services delivery associated with the asset will flow to the Municipality.
- 3.7.2 The cost of the asset can be measured accurately.
- 3.7.3 The amount of the asset exceeds the amount of R10 000,00.
- 3.7.4 All risks and rewards relating to an asset item have been passed to the Municipality and therefore the Municipality controls the asset items.
- 3.7.5 A valid invoice to the Municipality or other transfer document that transfers ownership to Council exists.

Self constructed assets - cost of self constructed assets will be determined from of inventory used, timesheets of labour cost as well as from invoices requisitions of creditors and suppliers.

A self constructed asset with a lifespan of more than a year will be capitalized as an asset when all criteria for an asset as stated above is met and be capitalized as follows - the total value of the inventory or spare parts used to build the asset will be capitalized as an asset.

Donated assets – where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned must be recorded in the fixed asset register at its fair value, as determined by the Chief Financial Officer.

### 3.8 Repairs and improvements to fixed assets:

3.8.1 Where repairs and maintenance are incurred to improve a specific asset (i.e. the improvement will increase capacity or extend the useful life of the asset), the cost of the improvement must be capitalized against the fixed asset affected and written off over the remaining life of the asset.

3.8.2 Where repairs and maintenance expenses are incurred to repair or service a specific asset and it does not extend the lifespan of the asset, the cost therefore must be written off to repairs and maintenance in the income statements.

3.9 Depreciation - depreciation can only be written off if the useful life of an asset is established. E.g. an asset that was bought during the month will be depreciated for the whole month.

The depreciation charges for each period will be recognized as an expense in the Income Statement.

Depreciation of assets will be charged as an expense to the Income Statement even if the value of the asset exceeds its carrying amount.

When it is known that an asset will involve significant removal, restoration or costs at the end of its useful life the accounting procedures will be as follows:

- ◆ The estimated cost that will be incurred at the end of the useful life will be recognized as an expense over the expected life of the asset as a liability until the expected expense is fully provided for.
- ◆ When the cost is incurred it will be offset against the created liability.
- ◆

### 3.10 Useful life of Asset:

- 3.10.1 The useful life of infrastructure, community, recreation and other assets are categorized. (See Annexure IV Page 39 - 42)
- 3.11 Insurance of assets:
- 3.11.1 The Municipal Manager must ensure that all fixed assets are insured at least against catastrophic occurrences.
- 3.11.2 If the Municipality operates as self - insurance reserve, the Chief Financial Officer must annually determine the premiums payable by the departments during the annual budgeting process.
- 3.11.3 The Municipal Manager must recommend to the Council, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of fixed asset.
- 3.11.4 Such recommendations must take due cognisance of the budgetary resources of Council.
- 3.12 Maintenance Plan:
- 3.12.1 Every Director must ensure that a maintenance plan in respect of every new infrastructure asset with a value of R500 000,00 (five hundred thousand rand) or more is promptly prepared and submitted to the Council for approval.
- 3.12.2 The maintenance plan must be included in the business plan that is submitted to the Council for approval.
- 3.12.3 The Director controlling or using the infrastructure asset in question, must annually report to the Council, not later in September, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non - compliance may have on the useful operating life of the asset concerned.
- 3.13 Review of the useful life of assets
- 3.13.1 All assets within a directorate will be investigated annually by the Directors concerned to ensure that the useful life of the asset is still in line with the original estimated useful life of the asset.
- 3.13.2 The depreciation charge for current and future periods will be adjusted accordingly, when it is determined that the useful life of an asset at a specific period differs significantly from the original useful life estimation of the asset.
- 3.14 Recovery of the carrying amount:
- 3.14.1 When the recoverable amount of an asset has been declined below the carrying amount of the asset the accounting procedures will be as follows:

The carrying amount of the asset will be reduced to the recoverable amount of the asset.

The amount in reduction will be recognized as an expense in the Income Statement.

3.14.2 When the recoverable value of an asset recovers in such a way that it exceeds the carrying value of an asset that was previously written down by means of impairment, this asset's carrying value will only be written back to its original value if:

- The circumstances or events that led to the write down of the value of the asset cease to exist.
- There is evidence that the new circumstances and events will persist for the foreseeable future.
- The asset's original carrying value has never been influenced by impairment or a write-up of the carrying value.

#### **4. Initial Measurements and Revaluation of Land and Building**

4.1 Initial Measurements of Assets:

4.1.1 An asset item will initially be measured at its cost price.

4.1.2 The cost of an asset item will include the following:

- import duties
- non refundable purchase taxes
- any other direct attributable cost used to bring an asset to working condition, (e.g. delivery and handling cost, installation cost, professional fees etc.).

4.1.3 The cost of an asset will not include the following:

- trade discount received
- rebates received
- interest paid.

4.2 Capitalization of Asset Exchanged for dissimilar assets.

4.2.1 When an asset is acquired by way of an exchange for a dissimilar asset the capitalization will be as follows:

- The cost of the asset received as a replacement that must be capitalized.
- Will be calculated as the fair value of the replaced asset and adjusted by the amount of cash or cash equivalents that was transferred or received.
- The profit or loss of the replaced asset will be calculated as the difference between the cost of the asset received as replacement and the book value of the replaced asset.

4.3 Capitalisation of Asset exchanged for similar assets.

4.3.1 When an asset is acquired by exchanging it for a similar asset that is used for a similar activity and that has a similar fair value the following accounting practice will be followed:

- The cost of the asset received as replacement asset will be carried at the same amount as the replace asset.
- There will be no recognition of profit/loss of fixed assets for an exchange of similar asset.

4.4 Subsequent Measurement for Fixed Property .

4.4.1 Land, building and other fixed property will be re-valued on a four year basis when all other properties are re-valued during the Municipality valuation process.

4.4.2 These fixed properties will be carried at the value of validation less the accumulated depreciation on these properties.

4.4.3 This revaluation will be done to ensure that the carrying value of the fixed properties in the Balance Sheet does not differ materially from the fair value of these fixed properties.

4.4.4 The basis of the revaluation will be based on the replacement value for these fixed properties that will be obtained from the valuation roll.

4.4.5 The following accounting procedures will be followed when the fixed properties are revalued at an amount that exceeds the current value carried in the Financial Statements.

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property .
- The carrying value on the Balance Sheet will be adjusted to the re-valued amount of the fixed property .
- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.
- All future depreciation on the fixed property will be set off against this future depreciation reserve.

4.4.6 The following accounting procedures will be followed when fixed property are re-valued at an amount lower than the current carrying value of these fixed properties.

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property .
- The difference between the carrying value and the revaluation value will be recognized as an expense in the Income Statement unless the difference can be offset against a credit from a revaluation of another fixed property asset that was re-valued at a higher amount as explained above.

4.5 Revaluation of Assets other than Fixed Property - Assets other than fixed property

will be carried at cost or initial valued price less accumulated depreciation in the Financial Statements for its useful life provided that the carrying amount exceeds the recoverable amount of the asset.

- 4.6 Asset Revaluation Reserve - Any surplus arising on the revaluation of assets is credited to the asset revaluation reserve, which is regarded as non-distributable. On disposal of the asset the applicable portion of the surplus is transferred to the retained surplus account.

## **5. Inventory Assets**

- 5.1 Assets with a value of less than R10 000,00 will be classified as Inventory Assets and will be written off in the Income Statement when it is purchased.
- 5.2 An Inventory list per Directorate will be maintained by the Director concerned for all Inventory Assets. These Inventory Assets may be numbered by barcode as per the financial management system for easy reconciliation and verification where possible, if cost effective.
- 5.3 Where it is not possible or cost effective it will be numbered to ensure that it is accounted for with the yearly asset verification.
- 5.4 Inventory Assets will be budgeted for under the General Expenditure section of the operating budget and will therefore have effect on the surplus of deficit of the Municipality.

## **PROCEDURES**

### **1. Fixed Asset Register and work procedures.**

- 1.1 All fixed assets with a value of more than R10 000,00 will be recorded on the Fixed Asset Register and the asset will remain on the register until such time it is disposed of.
- 1.2 Fixed assets will be individually bar coded where physically possible and cost effective.
- 1.3 Where it is not physically possible to mark an asset with a bar-code strip, the asset will be marked and numbered.
- 1.4 The Fixed Asset register will be updated annually with the replacement values of an asset.
- 1.5 The following information will be recorded on the asset register:
- Asset number of deed number in respect of property.
  - Date of purchase.
  - Cheque number or document number.

- Description.
- Category.
- Cost centre.
- Location.
- Purchase or value cost..
- Depreciation rate
- Depreciation for the current year.
- Accumulated depreciation..
- Book value of the asset
- Source of finance.
- Lifespan of the asset.
- Replacement value if applicable.

- 1.6 All assets will be clearly marked for identification purposes when the assets are received.
- 1.7 Assets captured on the asset register as well as on an inventory register are captured on a room inventory sheet that must be signed and kept in all offices and must be readily available for verification purposes.
- 1.8 No asset may be moved from its original location without informing the Asset Control officer in writing.
- 1.9 The Asset Register will be updated on a monthly basis with disposals, scrapings and additions before the depreciation run is performed.
- 1.10 The Asset Control Officer will balance the asset register to the assets as stated on the general ledger and follow up any discrepancies.
- 1.11 Discrepancies will be communicated to the Chief Financial Officer on a regular basis.
- 1.12 The Asset Control Officer will report to the Chief Financial Officer on all, scrapings, disposals and loss due to theft or other uncontrollable circumstances on a regular basis.
- 1.13 No private assets except vehicles are allowed on the premises of the Municipality. Should an individual bring a similar asset onto the municipal grounds that is on the municipal inventory, this asset must be declared at Security.
- 1.14 No employee may remove any municipal asset from the premises without the written approval from his/her delegate.

## **2. Fixed Asset Register (Base Units)**

Fixed Assets will be recorded as follows to ensure that all assets are treated uniformly.

- 2.1 The central Processing unit, (including the original software, motherboard and cards), monitor, keyboard and mouse of a personal computer.
- 2.2 A printer.

- 2.3 The monitor, keyboard and mouse (if applicable) of a computer terminal.
- 2.4 Each individual item of furniture.
- 2.5 Each individual item of office equipment.
- 2.6 Each component of an Infrastructure Asset where possible.
- 2.7 Each property and or building.

### **3. Purchase of an Asset**

- 3.1 All Assets acquired for a Financial Year must be included in the //Khara Hais Municipality's Integrated Development Plan as per annual capital budget.
- 3.2 All Assets acquired by the //Khara Hais Municipality will be done so through the approved Supply Chain Management Policy.
- 3.3 The //Khara Hais Municipality Council must approve any asset that did not form part of the original annual capital budget.
- 3.4 Tender and quotations must be obtained as prescribed by the //Khara Hais Municipality's Supply Chain Management Policy and all other work procedures must be followed when an asset is acquired.

### **4. Risk Management**

- 4.1 All the risks, for losses arising from the damage, destruction or theft of the assets or any liabilities that can arise from the operations of //Khara Hais Municipality, must be evaluated to establish a level of risk that is acceptable to the management of //Khara Hais Municipality.
- 4.2 All fixed assets will be insured to a maximum as determined from time to time by the Chief Financial Officer.

### **5. Physical verification**

- 5.1 All fixed assets will be identified with a unique fixed asset number and recorded on an asset inventory sheet. Management must ensure that all //Khara Hais Municipality employees keep an updated copy of the asset inventory sheet.
- 5.2 Management must ensure that all fixed assets recorded on the Fixed Asset Register are physically verified at least once a year.
- 5.3 Any differences must be investigated and must be adjusted in the Fixed Asset

Register, if agreed and authorized by the responsible Directors and Council.

- 5.4 Directors will ensure that proper documentation is maintained for all their physical verification processes performed in the respective directorates.
- 5.5 The Asset Control Officer will from time to time do spot checks to ensure that the assets in a specific location agree to the assets listed on the asset inventory sheet of the location. (Both capitalized and Inventory Assets will be checked.)
- 5.6 The Director must be informed of damaged - or obsolete assets when it is identified by means of the asset verification process. The Director must follow the procedures as prescribed in point 14.2 below to have the asset scrapped.

## **6. Recoverable Work**

- 6.1 Recoverable work for example water connections, electricity connections and sewerage connections will be debited against the debtor account and recovered from the debtor at the approved tariffs.

## **7. Assets held under Finance Leases**

- 7.1 Assets held under finance leases are capitalized in the financial statements of the Municipality.
- 7.2 The capitalized value of the leased asset is depreciated over its expected useful life. However, if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

## **8. Other Leases**

- 8.1 All other leases will be accounted for as expenditure in the Income Sheet of the Municipality and will be budgeted for accordingly.

## **9. Assets in Halls**

Due to the difficulty of marking movable assets in the halls with barcodes, the following procedures must be put in place to ensure the safekeeping and control over these assets.

- 9.1 Stackable chairs, tables and other movable assets must be counted before and after every event that takes place in the hall to ensure that all assets are accounted for after the event.
- 9.2 When assets are moved from the halls an official from the //Khara Hais Municipality must authorize the removal of the assets from the halls and verify that all assets are returned.

9.3 All discrepancies must be reported immediately to the Asset Control Officer.

9.4 The replacement value of any discrepancies will be recovered from the responsible person who rented the hall or used the assets outside the hall.

## **10. Safekeeping of Assets**

10.1 Every Director shall be responsible for the safekeeping of any fixed asset controlled or used by the directorate.

10.2 In exercising this responsibility, every director shall adhere to any written directives issued by the municipal manager.

## **11. Work in progress**

11.1 The Assets Control Officer will record all work in progress in respect of cost incurred to create an asset on the financial system.

11.2 All work in progress will be capitalized at year end at the cost accumulated at that point in time.

11.3 Only after completion of the work in progress will the depreciation charges be activated.

## **12. Policy for the disposal of redundant, obsolete or unserviceable furniture and equipment**

12.1 All assets in a directorate are the responsibility of the Director, and are only controlled by the Finance Directorate for accounting and insurance purposes. Assets that become redundant, obsolete or unserviceable must be treated as dictated by the approved Supply Chain Management Policy of Council.

## **13. Notification / Recommendation to scrap an asset**

13.1 The Director is responsible to communicate any asset that must be scrapped through to the Finance department.

13.2 The Director that requests to scrap an asset must submit an approved "*Request to scrap an Asset Form*"

13.3 The following information is essential to identify the asset that will be scrapped and must be submitted to the Finance Directorate to scrap the asset(s) from the asset register.

13.4 The asset number.

13.5 The description of the asset.

- 13.6 The physical location.
- 13.7 The cost centre under which the asset was utilized.
- 13.8 The Directorate and Section.
- 13.9 The reason for scrapping the asset(s).

**14. Financial Control and approval of scrapping of assets**

- 14.1 The Municipal Manager will investigate the reasons and consider all aspects of the asset(s) that must be written off and disposed of.
- 14.2 The Directorate will include the following information when recommending write offs to the Chief Financial Officer.
- 14.3 The asset number.
- 14.4 The description of the asset.
- 14.5 The physical location.
- 14.6 The cost centre under which the asset was utilized.
- 14.7 The Department.
- 14.8 The reason for scrapping the asset(s).
- 14.8 The purchase price and the date of purchase of the asset.
- 14.9 The book value of the asset.
- 14.10 The recommended selling price of the asset.
- 14.11 The Municipal Manger will approve the disposal or scrapping of the asset(s).

**15. Scrapping on Inventory Assets**

- 15.1 Inventory Assets (with a purchase price of less than R10 000) will be controlled on an inventory list and the Director will be responsible for these inventory assets.
- 15.2 It is essential that Inventory Assets be scrapped by informing the Asset Control Officer in writing.

**16. Disposal of Fixed Assets, Property and Inventory Assets**

- 16.1 Assets will be disposed of in terms of the Municipal Finance Management Act.

**17. Losses and surpluses arising from the scrapping or disposal of assets**

17.1 All losses and surpluses arising from the scrapping or disposal of assets will be recognized in the Income Statement as per financial accounting standards.

**ROLES**

Council.

Municipal Manager.

Chief Finance Officer.

Directors.

**RELATED POLICIES AND ACTS**

General Accepted Municipal Accounting Procedures (GAMAP).

Municipal Finance Management Act 2003 (MFMA).