



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Property, Plant & Equipment (GRAP 17)

LOCAL GOVERNMENT ASSET MANAGEMENT IMPROVEMENT PROGRAMME - 2021


Making progress possible. **Together.**

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Disclaimer

The views and opinions expressed in this presentation are those of the individual.

Official positions of the City of Cape Town on accounting matters are determined only after extensive due process and deliberation.



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AGENDA

- GRAP 17 overview
- Practical applications and issues
- Questions?



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GRAP 17 OVERVIEW



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Definitions

- Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity
- PP&E are tangible items that:
 - Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
 - Are expected to be used during more than one reporting period



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Recognition

- The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:
 - It is probable that future service potential or economic benefits associated with the item will flow to the entity; and
 - The cost or fair value of the item can be measured reliably



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Initial Measurement

- An item of PP&E that qualifies for recognition as an asset is measured at its cost
- Elements of cost includes
 - Purchase price (including import duties/taxes net of trade discounts and rebates)
 - Costs directly attributable
 - Estimate of obligations associated with retirement, disposal or abandonment
- Cost of an item acquired in a non-exchange transaction is its fair value at acquisition date



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Measurement after Initial Recognition

- **Cost model** - property, plant, and equipment is carried at its cost, less any accumulated depreciation and any accumulated impairment losses
- **Revaluation model** - property, plant, and equipment is carried at a revalued amount, being its fair value less any subsequent accumulated depreciation, and subsequent accumulated impairment losses



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Depreciation and impairment

- All PP&E except land is subject to depreciation
- The depreciable amount of an asset is expensed on a systematic basis over its useful life to surplus or deficit for each period
- Depreciation begins when an asset is in operation
- Reviewed at each annual reporting date
- Each significant component is depreciated separately
- Impairment (GRAP 21 & 26)



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Derecognition

- The carrying amount of PP&E is derecognized:
 - On disposal
 - When no future service potential or economic benefits is expected from its use or disposal
- Gain or loss on derecognition is included in surplus or deficit
- A replaced component is derecognized



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Disclosures

- Complete list in GRAP 17



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Proposed changes

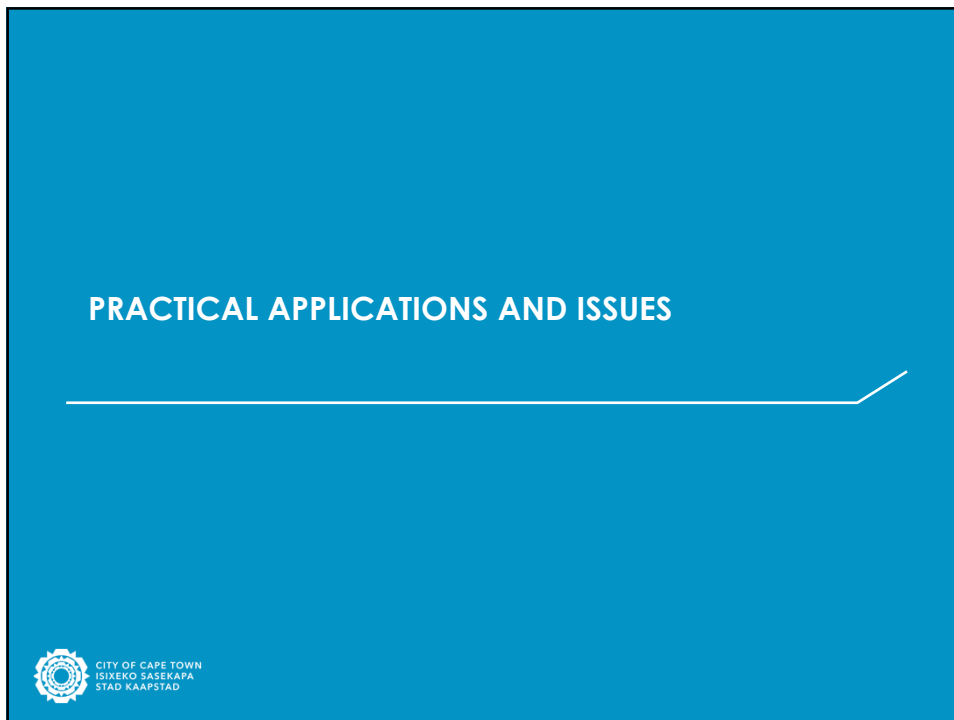
- IPSASB ED 78
 - Heritage assets
 - Infrastructure
 - Measurement



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Recognition

- Asset definition NB!
- “We did not have budget”
- Asset classes - what do the engineers say?
- Major and Spare parts
- Componentization
- Aggregation of items – Infrastructure networks
- Materiality and recognition/cut-off amounts (R1000)
- “Inventory items”
- Retention of records - auditors



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Initial Measurement

- Elements of cost can be tricky. What to include and exclude.
- Estimate of obligations associated with retirement/disposal can be difficult and costly and often missed.
- The use of assets under construction
- Donated assets? Policy important



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Measurement after Initial Recognition

- Cost vs Fair value
 - 1 vs 14 paragraphs in GRAP 17
- Subsequent expenditure
 - Upgrade vs R&M
 - Asset enhanced in excess of original standard of performance
 - Derecognition of original/old asset



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Depreciation

- Depreciation for the year equals opening book value, less residual, divided by remaining useful life.
- Depreciation start date can be a problem. Available for use NB.
- Depreciation reviewed at each annual reporting date for indicator of any change. Get confirmations in anyway.
- Use of asset classes
- Residuals – Vehicles, infrastructure - management expectation
- Zero book values
- Any change prospective unless obvious error
- Watch out for components



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Impairment

- Impairment also only considered if there is an indicator of impairment.
- Droughts – impact on pipes, Load shedding – impact on Trsrfrs
- Check insurance records
- Remember AUC's as well
- Land impairment?



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Derecognition

- SCM Policies
- Auction yard. Segregation of duties
- Replacing components not recognized before
- Compliance with MFMA (S.14 and 90)
 - may only dispose of assets that are not providing minimum levels of basic municipal services.
 - Assets other than those utilised to provide minimum levels of basic services may be disposed of subject to Council approval or in terms of delegated authority.
- Retention of records



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Disclosures

- Use a disclosure checklist
- Assets Under Construction
- Delayed and Halted
- Repairs and maintenance (function vs nature)
 - R&M per definition functional classification but Statements of Financial Performance usually per nature.



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General issues

- Who is responsible for your assets? Accountability
- ED's/Director's Scorecards
- Asset verification
- How are transfers managed?
- Staying up to date – ASB/PSAF
- <https://www.asb.co.za/subscribe-to-email-alerts>
- FAQ's



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QUESTIONS?



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Thank You

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