THEMBISILE HANI LOCAL MUNICIPALITY

THLM/SCM16/2026-2027/F04

APPOINTMENT OF A SERVICE PROVIDER FOR MAINTENANCE AND UPDATING OF THE GRAP COMPLIANT AND MSCOA-ALIGNED ASSET REGISTER FOR A PERIOD OF 36 MONTHS.

SCOPE OF WORK

4.2. OVERVIEW OF THE WORKS

The purpose of this contract is to ensure that the Municipality's financial asset register is maintained and updated as per requirements of GRAP and National Treasury, inclusive of mSCOA, and that the municipality can attend to matters relating to the safeguarding, control and maintenance of assets. Specific objectives include:

4.2.1. To annually maintain and update the financial asset register of the municipality to comply with
all regulatory requirements inclusive of GRAP and mSCOA.
4.2.2. To implement an electronic asset management system to support the maintenance and updating of the financial asset register and to support budget estimates for immovable asset maintenance and renewal.
4.2.3. To annually provide the Municipality with maintenance and asset renewal budget estimates in mSCOA format for all immovable asset portfolios.
4.2.4. To annually provide support to the Municipality during the auditing of the financial asset register.

4.3. EXTENT OF THE WORKS

The scope of assets included in the financial asset register, also to be accommodated within the electronic asset management system and annual maintenance budget estimates includes the following assets:

- Immovable assets inclusive of land and improvements:
  - Roads and stormwater
  - Water and sanitation assets
  - Street lighting including high mast lights
  - Community facilities
  - Housing assets
  - Municipal operational facilities
  - Investment properties
  - Solid waste facilities
- All movable assets
- Intangible assets

Annual asset maintenance and renewal budgets in mSCOA format will be prepared for immovable assets only.

4.4 Detailed scope of work: maintenance and updating of financial asset register

The detailed scope of work includes the following:

4.4.1 Project commencement

- Meet with municipality, obtain information as required, agree project logistics and timelines
- Conduct a mSCOA alignment review of the financial asset register
- Conduct a review of the financial asset register in general and the issues raised in the last Management Letter for the 2025/26 period
- Prepare and present the project inception report that addresses issues listed under "Project commencement" as well as matters relating to the provision, implementation and training related to the electronic asset management system

4.4.2 Annual asset verification, condition assessment and impairment testing

- The successful service provider shall annually prepare and present to the Municipality a plan for the verification, condition assessment and impairment testing of assets.
- For existing assets:
    - Full annual physical verification of movable assets and barcoding of assets without barcodes
    - Risk-based approach to the physical verification and assessment of immovable assets with due consideration to asset criticality, condition, matters previously raised by the Auditor General as well as known/likely impairment events, and a plan for testing for existence and impairments other than physical verification.
- New assets, both movable and immovable, shall be physically verified, unbundled and measured

4.4.2 Asset management policy and procedures

- Annually review and update the asset management policy and procedures inclusive of estimates of asset useful live, residual values and depreciation methods

4.4.3 Maintenance and updating of financial asset register

- Annually confirm and/or correct opening balances
- Update the WIP register
- Recognition, unbundling and measurement of new assets acquired or constructed in mSCOA format, inclusive of reconciliation to the General Ledger
- Ensure that assets are recorded both in the financial asset register as well as spatially
- Assess landfill sites and calculate landfill site provisions
- Conduct annual fair valuation of investment properties
- Annually review asset remaining useful lives and adjust as appropriate
- Depreciate assets in accordance with the approved asset management policy
- Calculate impairments and adjust asset records accordingly
- Asset derecognition for assets decommissioned and disposed off
- Calculation of information required to be disclosed from changes in accounting estimates.

- Annually finalise asset register for submission to the Auditor General, ensure reconciliation to the General Ledger, and prepare journals and disclosure notes as necessary.

4.4.4 Audit support

- Present to the Municipality Audit Committee as required.
- Annually present asset register results to the external audit team.
- Attend to correspondence of the Auditor General relating to assets as and when required.
- Attend to corrections dictated by the Auditor General.

4.5 Detailed scope of work: annual asset maintenance and renewal budgets

The following must be done annually at dates specified by the Chief Finance Officer to inform annual budget preparations and submissions to the Provincial Treasury:

- An asset health check report that summarises the following (at the levels of all immovable assets, accounting group, accounting sub-group, asset class and asset type):
  - Scope and extent of assets
  - Asset current and depreciated replacement cost
  - Accumulated depreciated and remaining useful life
  - Asset condition grading
  - Asset risk exposure
- Maintenance management performance inclusive of asset sustainability ratios, asset renewals funding, asset impairment and deferred maintenance
- A ten-year asset renewals profile of all immovable assets, and a MTREF and mSCOA aligned asset renewals budget
- A maintenance budget for all immovable assets aligned to mSCOA, also indicating the amounts required for preventative and reactive maintenance

4.5.1 Asset recognition

- Capitalisation through WIP Register:
  - Unique project referencing/tracking
  - Transaction processing
  - Linking projects to capitalisation functionality and applying capital cost unit rates to capitalisation (shadow valuation) and
  - recognising additions
  - Journal function for –
    - Allocation/correction of expenditure per project
    - WIP impairment
    - WIP transfer (capitalisation journals)
- Capitalisation through VAR (asset take-on at calibrated unit rates)

4.5.2 Treatment subsequent to measurement

- Revaluation adjustments and accounting for effect on movements (derecognition & impairment of revalued assets) at any given point throughout the year
- Impairment and impairment reversal at any given point throughout the year
- RUL adjustments
- EUL adjustments

- Residual value adjustments
- Depreciation calculation at any given point in time during the year
- Profit/loss calculation
- Annual fair value adjustment (Investment properties)
- Account for changes in provisions relating to assets (landfill site rehabilitation provisions)

4.5.3 Safeguarding of assets

- The system shall enable the identification of asset custodians, including the date of commencement and hand-over
- The system shall enable the identification of insurance, including:
    - The type of insurance;
    - Insurance contract reference;
    - Conditions; and
    - Insurance coverage.
- The system shall enable the identification of warranties, including:
    - Extent and timeframe of warranty;
    - Operating conditions; and
    - Direct linking to warranty documentation through document management system.

4.5.4 Asset verification, remaining useful life assessment and impairment testing

- Tablet application for field verification of assets
- Production of schedules of assets with a remaining useful life of less than 3 years, and assets with no or negative remaining useful life
- Failure mode status recorded against assets

4.5.5 Asset data integrity

- Provision for data confidence grading for all asset records and data items against each record
- Robust asset data diagnostic system
- Asset data process quality control and assurance system

4.5.6 Asset derecognition

- Resulting from renewal, to be identified through capitalisation, as at the date of asset take-on of replacement component
- Scrapping or alienation

4.5.7 Roll-over and roll-forward functionality

- Roll-over from VAR to FAR
- FAR annual roll forward functionality i.e. decreasing RUL and creating opening balances in the new financial period which agree with the prior period closing balances

4.5.8 Spatial functionality

- Spatial linking of both point and linear assets, and the ability to access spatial views of the asset being queried directly from the asset record in the register
- Displaying background maps as appropriate to data analysis, at various scales, inclusive of:
    - Satellite imagery/aerial photography
    - Topographical maps
    - Cadastre/street maps
    - Combination maps
- Viewing asset connectivity/location within the network or system of assets of which it forms part of
- Viewing by layer
- Viewing asset status spatially, e.g. failure mode status or criticality
- Measurement functionality: linear and square

4.5.9 Financial reporting

- FAR financial summary
- Prior period corrections
- Reclassification of assets
- FAR reports at various levels within the asset hierarchy

4.5.10 Strategic asset management

- CRC/DRC overview and analysis
- Asset extent summary
- Presentation of risk matrix by failure mode or RUL, at asset group type level, indicating likelihood and risk treatment cost
- Production of asset age and renewal profiles, and initial renewals programme
- Maintenance budget production at asset group type level and tracking of maintenance budget performance

4.5.11 General system requirements

- Enables multiple users simultaneous access to the system
- Web-based system
- User customisable reports
- Access control to ensure that only authorised personnel have access to the system
- Access to the system shall be directed by permission rights that can be allocated on the basis of viewing rights, data entry, data correction, data authorisation, or full system administrator rights.
- The system shall feature the ability to allocate permission rights on the basis of components of user functionality, asset portfolio, geographic asset scope or some combination of both
- Security controls must provide for both user identification and a password mechanism. The system shall furthermore limit the number of incorrect access attempts
- The system shall feature an audit trail, of both current and previous period.