Property, plant & equipment

Lead schedules supporting the PP&E note (GRAP 17)

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Recap yesterday

Classification	Operations	Finances
Accounting group - PPE	Suburb - Thohoyandou	Opening CA
Asset Class - Infrastructure	Responsibility - Roads department	Additions
Sub class - Roads	Custodian – T Mashau	Depreciation
Specific asset - Road surface	Ward no - 23	Impairment
Description – Tar	Coordinates	Disposal

Classification — an audit perspective

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- **What it means —** classification is one of the financial-statement assertions — transactions, balances and disclosures are recorded and presented in the correct accounts, classes and line items of the AFS.
- **Audit objective —** obtain evidence that each item is recognised in the right asset class and is properly presented and disclosed in the financial statements (the presentation & classification assertion under ISA 315).
- **Applied to PP&E —** each asset is allocated to its AFS class — land, buildings, infrastructure and machinery & equipment — consistent with GRAP 17 and the mSCOA asset segment.
- **Why it matters —** misclassification distorts depreciation, useful-life estimates and note disclosure even when the total carrying amount is correct, so the right total in the wrong class is still a misstatement.
- **How it is tested —** inspect the fixed asset register and supporting documents, agree class allocations to the trial balance, and re-perform the grouping behind each lead schedule (A1–A4).
- **Audit conclusion —** where assets sit in the proper classes and tie back to the PP&E note, the classification assertion is satisfied. ✓

Classification asks not only whether the amount is right, but whether it sits in the right place.

What is an accounting policy?

- **What it means —** the specific principles, bases, conventions, rules and practices an entity applies in preparing and presenting its financial statements (GRAP 3 / IAS 8).
- **Where it comes from —** set by the applicable standards; where a standard allows a choice, management selects the policy that gives relevant and reliable information and applies it consistently to similar items.
- **Consistency & change —** a policy is applied consistently year on year, and only changed when a standard requires it or the change gives more reliable and relevant information — such changes are generally applied retrospectively.
- **Practical example (PP&E) —** "Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses" — the cost model elected under GRAP 17.
- **How it plays out —** cost includes the purchase price and costs to bring the asset into use; each significant component is depreciated on a straight-line basis over its useful life, and land is not depreciated.
- **Why it matters —** the disclosed policy tells the reader and the auditor how the PP&E balance was measured, and is the benchmark the lead schedules and the AFS note are tested against.

An accounting policy is the "how we measure and present it" rule — the PP&E note is simply that policy applied.

What is a lead schedule?

- **What it means —** a working paper that summarises the make-up of a single financial-statement line item or note, listing its components and agreeing the total back to the trial balance and the AFS.
- **Top of the file —** it sits at the front of an audit section as the “lead”, with each component cross-referenced to the detailed schedules and supporting evidence behind it.
- **What it shows —** each component with its cost, accumulated depreciation and carrying amount, the working-paper reference, the amount per the AFS note, and a tick confirming agreement.
- **Practical example (PP&E) —** the PP&E lead schedule lists land, buildings, infrastructure and machinery & equipment, agreeing the R521,000k closing carrying amount to the PP&E note in the AFS.
- **How it is used —** cast and cross-cast, agreed to the trial balance and fixed asset register, and each line referenced (A1–A4) to its supporting movement schedule and evidence.
- **Why it matters —** it gives a clear, reviewable audit trail from the financial-statement number down to source, so a reviewer can follow the balance to the evidence in one place.

A lead schedule is the one-page bridge from a number in the financial statements to the evidence behind it.

Visit Venda – Accounting Policy

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1.6 Property, plant and equipment (continued)

Work in progress taking significantly longer to complete is disclosed in the note of the Annual Financial Statements at carrying amount including the reasons for the delay.

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment and leased assets are carried at cost less accumulated depreciation and any impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

The projects are assessed for possible impairment as at year end and most of them are still at design stages and there is no Council decision to discontinue the projects. Where there is Council decision to discontinue the project, the WIP projects will be impaired.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	4 - 20 years
Furniture and office equipment	Straight-line	4 - 23 years
Motor vehicles	Straight-line	10 - 19 years
Office equipment	Straight-line	3 - 5 years
Computer equipment	Straight-line	4 - 23 years
Roads and Stormwater Infrastructure	Straight-line	10 - 80 years
Community and building	Straight-line	10 - 60 years
Solid waste infrastructure	Straight-line	10 - 50 years
Electrical Infrastructure	Straight-line	30 - 40 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is 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 is changed to reflect the changed pattern. Such a change is

Property, plant & equipment note

R'000	Land	Buildings	Infrastructure	Machinery & equipment	Total
Opening carrying amount	50,000	120,000	300,000	25,000	495,000
Additions	–	15,000	40,000	8,000	63,000
Disposals	–	(2,000)	(5,000)	(1,500)	(8,500)
Depreciation	–	(6,000)	(18,000)	(4,500)	(28,500)
Closing carrying amount	**50,000**	**127,000**	**317,000**	**27,000**	**521,000**

- **Recognition & measurement** — PP&E is carried at cost less accumulated depreciation and impairment losses (GRAP 17).
- **Depreciation** — charged on a straight-line basis over each class's useful life; land is not depreciated.
- **Reconciliation** — the note reconciles opening to closing carrying amounts via additions, disposals and depreciation.
- **Why it matters** — underpins the asset register, audit assurance and compliance with accounting standards.

Figures are illustrative.

PP&E lead schedule

R'000	WP ref	Cost	Acc. dep'n	Carrying amount	Per AFS note	Tick
Land	A1	50,000	–	50,000	50,000	✓
Buildings	A2	161,500	(34,500)	127,000	127,000	✓
Infrastructure	A3	482,000	(165,000)	317,000	317,000	✓
Machinery & equipment	A4	45,500	(18,500)	27,000	27,000	✓
Total		**739,000**	**(218,000)**	**521,000**	**521,000**	✓

- **GL / TB agreement** — carrying amounts agreed to the trial balance and fixed asset register at 30 June 2026.
- **✓ Agreed** — total closing carrying amount of R521,000k agrees to the PP&E note in the AFS.
- **Cast & cross-cast** — rows and columns re-added; carrying amount recomputed as cost less accumulated depreciation.

Figures are illustrative (R'000). WP references A1–A4 link to the supporting movement schedule.

PP&E lead schedule

R'000	WP ref	Cost	Acc. dep'n	Carrying amount	Per AFS note	Tick
Land	A1	50,000	–	50,000	50,000	✓
Buildings	A2	161,500	(34,500)	127,000	127,000	✓
Infrastructure	A3	482,000	(165,000)	317,000	317,000	✓
Machinery & equipment	A4	45,500	(18,500)	27,000	27,000	✓
Total		**739,000**	**(218,000)**	**521,000**	**521,000**	✓

- **GL / TB agreement** — carrying amounts agreed to the trial balance and fixed asset register at 30 June 2026.
- **✓ Agreed** — total closing carrying amount of R521,000k agrees to the PP&E note in the AFS.
- **Cast & cross-cast** — rows and columns re-added; carrying amount recomputed as cost less accumulated depreciation.

Figures are illustrative (R'000). WP references A1–A4 link to the supporting movement schedule.

PP&E movement working paper

R'000	Land	Buildings	Infrastructure	Mach. & equip.	Total
Cost — opening	50,000	150,000	450,000	40,000	690,000
Additions	–	15,000	40,000	8,000	63,000
Disposals (cost)	–	(3,500)	(8,000)	(2,500)	(14,000)
Cost — closing	**50,000**	**161,500**	**482,000**	**45,500**	**739,000**
Acc. depr. — opening	–	(30,000)	(150,000)	(15,000)	(195,000)
Depreciation: year	–	(6,000)	(18,000)	(4,500)	(28,500)
Disposals (acc. depr.)	–	1,500	3,000	1,000	5,500
Acc. depr. — closing	**–**	**(34,500)**	**(165,000)**	**(18,500)**	**(218,000)**
Carrying amount	**50,000**	**127,000**	**317,000**	**27,000**	**521,000**

- **Roll-forward** — opening cost and accumulated depreciation per the prior-year audited AFS and fixed asset register.
- **Movements** — additions per the capital expenditure ledger; disposals and depreciation per the asset register run.
- **Ties out** — closing carrying amount of R521,000k agrees to the lead schedule and to the PP&E note.

Figures are illustrative (R'000).

A1 — Land

R'000	Cost	Acc. depreciation	Carrying amount
Erf 1024 — Civic precinct	18,000	–	18,000
Erf 2210 — Industrial site	12,500	–	12,500
Erf 3087 — Reservoir site	9,500	–	9,500
Smallholdings & servitudes	10,000	–	10,000
Total	**50,000**	**–**	**50,000**

- **Movement** — opening R50,000k; no additions, disposals or depreciation in the year; closing R50,000k.
- **Existence & rights** — agreed to title deeds and the deeds-office search; no encumbrances or servitudes affecting value noted.
- **Measurement** — land is carried at cost and is not depreciated (GRAP 17).
- **Agreement** — cast and cross-cast; closing carrying amount of R50,000k agrees to the lead schedule (A1) and the PP&E note. ✓

Figures are illustrative (R'000).

A2 — Buildings

R'000	Cost	Acc. depreciation	Carrying amount
Municipal offices (Civic centre)	72,000	(16,000)	56,000
Community halls	28,500	(6,500)	22,000
Fire & emergency station	26,000	(5,000)	21,000
Depot & workshops	35,000	(7,000)	28,000
Total	**161,500**	**(34,500)**	**127,000**

- **Movement** — opening R120,000k + additions R15,000k − disposals R2,000k − depreciation R6,000k = closing R127,000k.
- **Additions** — vouched to contractor payment certificates and capital expenditure approvals.
- **Disposals & depreciation** — R2,000k carrying amount derecognised (council resolution); straight-line charge of R6,000k recomputed over 30–50 year lives.
- **Agreement** — cast and cross-cast; closing carrying amount of R127,000k agrees to the lead schedule (A2). ✓

Figures are illustrative (R'000).

A3 — Infrastructure

R’000	Cost	Acc. depreciation	Carrying amount
Water reticulation network	150,000	(52,000)	98,000
Sanitation & WWTW (Seshego)	130,000	(48,000)	82,000
Roads & stormwater	142,000	(50,000)	92,000
Electricity distribution	60,000	(15,000)	45,000
Total	**482,000**	**(165,000)**	**317,000**

- **Movement** — opening R300,000k + additions R40,000k − disposals R5,000k − depreciation R18,000k = closing R317,000k.
- **Componentisation** — assets componentised by network and condition-assessed for the asset register.
- **Additions & depreciation** — R40,000k vouched to project completion certificates and the capital programme (IDP); R18,000k charge recomputed over component lives.
- **Agreement** — cast and cross-cast; closing carrying amount of R317,000k agrees to the lead schedule (A3). ✓

Figures are illustrative (R’000).

A4 — Machinery & equipment

R'000	Cost	Acc. depreciation	Carrying amount
Plant & heavy machinery	18,000	(7,500)	10,500
Motor vehicles & fleet	14,500	(6,000)	8,500
Office furniture & equipment	6,000	(2,500)	3,500
IT & computer equipment	7,000	(2,500)	4,500
Total	**45,500**	**(18,500)**	**27,000**

- **Movement** — opening R25,000k + additions R8,000k − disposals R1,500k − depreciation R4,500k = closing R27,000k.
- **Existence** — sample physically verified to the fixed asset register; bar-code asset tags inspected.
- **Additions & depreciation** — R8,000k vouched to purchase orders, invoices and GRNs; R4,500k charge recomputed over 3–10 year lives.
- **Agreement** — cast and cross-cast; closing carrying amount of R27,000k agrees to the lead schedule (A4). ✓

Figures are illustrative (R'000).

Basis of preparation

- **Source data —** balances extracted from the fixed asset register (FAR) and agreed to the general ledger trial balance at 30 June 2026.
- **Classification —** assets grouped into the AFS classes — land, buildings, infrastructure and machinery & equipment — in line with the mSCOA asset segment.
- **Cost & depreciation —** gross cost and accumulated depreciation are taken per class; depreciation is recomputed on a straight-line basis over each class's useful life under GRAP 17, and land is not depreciated.
- **Movements —** additions are traced to capital expenditure and SCM records; disposals are traced to council resolutions and asset-retirement forms, removing both cost and related accumulated depreciation.
- **Reconciliation —** each class is cast and cross-cast, and the carrying amount (cost less accumulated depreciation) is agreed back to the PP&E note in the AFS.
- **Review & referencing —** schedules are independently reviewed and referenced A1–A4 to provide a clear audit trail from the note to source.

Figures are illustrative (R'000).

Visit Venda – AFS main note

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Thulamela Municipality 2025

(Registration number LIM343)
Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	124 020 649	(7 625 135)	116 395 514	124 203 524	(2 149 532)	122 053 992
Plant and machinery	20 031 788	(8 460 498)	11 571 290	21 277 245	(7 371 925)	13 905 320
Furniture and Office equipment	18 203 272	(12 412 276)	5 790 996	18 257 877	(11 554 020)	6 703 857
Motor vehicles	127 873 067	(46 017 562)	81 855 505	132 727 226	(39 795 787)	92 931 439
Computer Equipment	22 448 889	(12 965 381)	9 483 508	21 638 128	(10 312 175)	11 325 953
Roads and Stormwater Infrastructure	1 833 687 551	(611 719 424)	1 221 968 127	1 858 289 550	(574 395 650)	1 283 893 900
Community	486 728 155	(140 686 686)	346 041 469	401 857 838	(128 596 946)	273 260 892
Solid Waste Infrastructure	34 122 271	(16 767 631)	17 354 640	23 671 669	(18 291 342)	5 380 327
Electrical Infrastructure	100 180 917	(20 231 338)	79 949 579	93 737 622	(16 403 009)	77 334 613
Community assets - Work in progress	63 096 322	(679 284)	62 417 038	138 309 391	(679 284)	137 630 107
Roads and Stormwater - Work in Progress	253 587 630	-	253 587 630	233 167 059	-	233 167 059
Solid waste infrastructure - Work in progress	8 454 080	-	8 454 080	14 705 207	-	14 705 207
Electrical infrastructure - Work in progress	3 566 371	-	3 566 371	4 816 981	-	4 816 981
Total	**3 096 000 962**	**(877 565 215)**	**2 218 435 747**	**3 086 659 317**	**(809 549 670)**	**2 277 109 647**

Visit Venda – AFS supplementary note

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Thulamela Municipality 2025
(Registration number LIM343)
Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
Land	122 053 992	-	-	-	(182 875)	-	(5 711 158)	235 555	116 395 514
Plant and machinery	13 905 320	42 000	(390 523)	-	-	(1 985 507)	-	-	11 571 290
Furniture and Office equipment	6 703 857	477 424	(104 226)	-	-	(1 286 059)	-	-	5 790 996
Motor vehicles	92 931 439	-	(2 080 701)	-	-	(8 995 233)	-	-	81 855 505
Computer Equipment	11 325 953	1 795 269	(300 528)	-	-	(3 337 186)	-	-	9 483 508
Roads and Stormwater Infrastructure	1 283 893 900	-	(152 050 685)	144 501 757	-	(53 662 277)	(714 568)	-	1 221 968 127
Community	273 260 892	1 830 233	(470 807)	85 903 869	-	(12 050 670)	(2 432 048)	-	346 041 469
Solid Waste Infrastructure	5 380 327	5 218 376	(258 823)	8 143 695	-	(1 128 935)	-	-	17 354 640
Electrical Infrastructure	77 334 613	-	-	6 443 326	-	(2 867 607)	(960 753)	-	79 949 579
Community assets - Work in progress	137 630 107	10 690 800	-	-	(85 903 869)	-	-	-	62 417 038
Roads and Stormwater - Work in Progress	233 167 059	170 114 981	-	-	(149 694 410)	-	-	-	253 587 630
Solid waste infrastructure - Work in progress	14 705 207	1 892 568	-	-	(8 143 695)	-	-	-	8 454 080
Electrical infrastructure - Work in progress	4 816 981	-	-	-	(1 250 610)	-	-	-	3 566 371
	2 277 109 647	**192 061 651**	**(155 656 293)**	**244 992 647**	**(245 175 459)**	**(85 313 474)**	**(9 818 527)**	**235 555**	**2 218 435 747**

Thank You!

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