Topic: Driving sustainable municipal assets value for service delivery excellence

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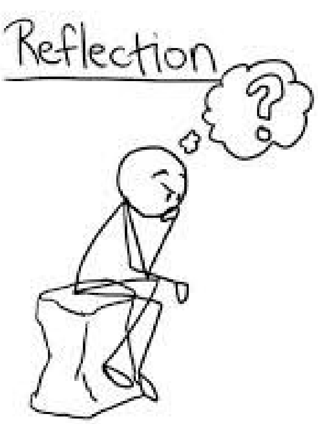
Venue: Premier Hotel –Thohoyandou Limpopo (17 June 2026)

Area of discussion

“Driving sustainable municipal assets value for service delivery excellence: Are we managing Infrastructure for Service Delivery or Simply for Audit Compliance?
Performance Monitoring and Reporting of Assets: From Register to Reality, Building a GRAP-Compliant Fixed Asset Register.”



From Register to Reality: Managing Infrastructure for Service Delivery or Audit Compliance?

Driving sustainable municipal assets value for service delivery excellence in Limpopo Province.

The Illusion of Compliance

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Have we seen municipalities achieve unqualified audit opinions on their Fixed Asset Registers (FAR) while local communities suffer from prolonged water outages and crumbling roads:

- Clean audits, do they automatically equate to clean water.
- A GRAP-compliant asset register can still mask failing infrastructure.
- Paperwork compliance treats assets as historical financial entries.
- Operational reality treats assets as living, service-delivery engines.

A spreadsheet never delivered a kilolitre of clean water. Compliance is the baseline, not the destination.

The Limpopo Landscape: Current Realities

The High Stakes of Asset Management in Limpopo.

- Massive infrastructure backlogs across water, sanitation, and roads.
- High reliance on conditional grants (MIG, WSIG) for new capital expenditure.
- Neglect of Operations and Maintenance (O&M) budgeting.
- Rapidly aging asset bases pushing systems toward catastrophic failure.

In Limpopo, our geography and socio-economic realities mean every single Rand spent on infrastructure must yield maximum value. We are excellent at building new assets using grants, but we are failing at maintaining what we already have.

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- **Only 2 Clean Audits (Waterberg and Capricorn):** Slow growth in local government audit outcomes driven by slow implementation of corrective actions.
- **The Performance Flaw:** Only 15% of Limpopo municipalities submitted credible performance reports for auditing initially.
- **The Compliance Disconnect:** 93% of our municipalities were flagged with material findings on legislative non-compliance.
- **The Service Delivery Gap:** Zero municipalities achieved all key targets within their Service Delivery and Budget Implementation Plans (SDBIP).

As we look at these numbers from the AGSA Limpopo Consolidated Report. We have only 2 clean audits in local government across the province. More alarmingly, 93% of us are failing basic compliance, and not a single municipality met its own service delivery promises. We are trapped in a cycle of reporting failures rather than delivering on infrastructure.

Compliance Tracking vs. Lifecycle

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Defining the Core Conflict.

Audit-Driven: Focused on depreciation, historical cost, and disclosure notes.
Service-Driven: Focused on useful life expansion, reliability, and risk mitigation.

The disconnect: Financial registers tell us what an asset *cost*, not what it *can do*.

The CFO's team views assets through a lens of balance sheets and depreciation formulas. The Technical Director's team views them through a lens of pumps, pressure, and structural integrity. If these two worlds don't talk, the municipality fails.

The Silent Crisis: O&M Underfunding

The Cost of Starving Our Assets:

- National Treasury guideline: O&M should be 8% of Property, Plant, and Equipment (PPE) value.
- Provincial Failure: 26 out of Limpopo’s municipalities failed to meet this 8% maintenance norm.
- Reality: Most Limpopo municipalities allocate less than 2% to 3%.
- Result: Premature asset failure, accelerated depreciation, and emergency repair costs.
- Fiscal impact: Emergency repairs cost up to 4x more than planned maintenance.
- Bleeding Infrastructure Grants: 4 municipalities underspent their vital infrastructure grants by more than 10%.
- The Price of Neglect: Infrastructure neglect directly accelerates asset degradation and drives up emergency contract costs.

Cont…Cost of Starving Our Assets

CFOs and Technical Directors, this is our collective failure.
Twenty-six of our municipalities are spending well below the 8% benchmark on keeping our infrastructure alive.

We are saving cents today to spend millions tomorrow on emergency water trucking or emergency contractor call-outs.

At the same time, we have four municipalities actively sending infrastructure grant money back to Treasury because they underspent by over 10%.
We are starving our existing assets while failing to roll out new ones.

By starving our maintenance budgets to balance operational books, we are destroying our asset base.

The Financial Consequences of Neglect

- **Massive Water Losses:** 10 Limpopo municipalities alone bled **R829,51 million** in water losses.
- **Severe Electricity Losses:** 15 municipalities disclosed **R507,85 million** in wasted electricity distribution losses.
- **Unfunded Liabilities:** Rising infrastructure breakdown directly fuels community litigation and conditional grant withholding.
- **The R1,3 Billion Leak:** Over R1,3 billion lost across the province in physical network distribution losses alone.

For the CFOs who look strictly at the balance sheet—look at the cost of bad asset management. Over R829 million in water losses and over R507 million in electricity losses.
That is over R1,3 billion literally leaking out of our failing municipal networks. This isn't just an accounting issue; it is a cash flow catastrophe caused by poor physical asset care.

From Register to Reality: The GRAP-Compliant FAR

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What a "Living" Fixed Asset Register Looks Like:

- **Not just a ledger:** A dynamic management tool.
- **Componentization:** Breaking down complex assets (e.g., water treatment plants) into moving parts.
- **Condition Assessment:** Real-world physical verification, not desktop guesswork.
- **Unlocking Value:** Using the FAR to predict when a pipe will burst or a pump will fail.

GRAP compliance shouldn't be an annual scramble in July and August. A truly compliant GRAP asset register requires continuous updates. It demands that when the Technical department replaces a pump, the Financial department updates the component list immediately.

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Looking at previous slide showing that R1.3 billion loss is staggering. It is easy to look at that number and blame the Technical Director for leaking pipes. Or blame the CFO for tight budgets.

But finger-pointing will not fix a single water network. This brings us directly to the issue on synergy (3-legged stool).
We must break these destructive administrative silos today.
The Municipal Manager, the CFO, and the Technical Director are a three-legged stool.
If the Technical Director does not share asset condition data, the CFO cannot budget accurately.
If the CFO cuts maintenance funds blindly, infrastructure collapses.
If the MM does not enforce joint accountability, the municipality fails.
We win or lose this battle as a unified leadership team. Let us look at how we co-own this lifecycle.

Breaking the Silo -The Three-Legged Stools

The Ultimate Municipal Collaboration:

Municipal Manager: Provides strategic oversight and enforces accountability across directorates.
Chief Financial Officer: Secures funding, ensures capital efficiency, and manages financial risk.
Technical Director: Drives engineering excellence, physical operations, and project execution.
Failure of one leg collapses the entire service delivery mandate.

If the MM does not hold directors accountable, the silos remain. If the CFO treats the Technical Director as a mere spending unit, assets decay. If the Technical Director refuses to provide technical data to finance, the audit fails. You must work as a unified team.

"John's our CFO: Creative Financial Officer."

The Asset Management Lifecycle Journey

Strategic Framework: GRAP 17 and Beyond:

- **Planning:** Demand management aligned with Integrated Development Plans (IDPs).
- **Acquisition:** Quality engineering procurement over the "cheapest provider" model.
- **Operation & Maintenance:** Proactive, scheduled care to maximize useful life.
- **Disposal/Renewal:** Timely replacement before complete system collapse occurs.

True asset management spans decades. Too often, our focus ends the day a project ribbon is cut. The real work begins on Day 2, during the operational phase, which lasts for the next 20 to 50 years.

Root Causes of Asset Failure in Limpopo

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Why Our Infrastructure is Failing Prematurely:

- Poor data governance: Handover documents from PMUs to Finance are lost or incomplete.
- Lack of skilled technical personnel (engineers, technicians, artisans) at local levels.
- Vandalism and theft of municipal infrastructure without rapid response mechanisms.
- Political pressure to build new infrastructure over maintaining existing assets.

We often build new clinics or water networks because they look good on performance reports, while existing water treatment works collapse from neglect. We must pivot our political and administrative focus toward preservation.

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- **Severe Project Delays:** 31% of provincial infrastructure projects are completed late or completely stalled.
- **Long Operational Lags:** Stalled projects face an average execution delay of **15 months**.
- **Poor Build Quality:** Contractors failing to meet safety and structural standards, leading to premature asset failure.
- **Consultant Over-reliance:** Heavy spending on consultants to patch up asset registers rather than building internal capacity.

The Auditor-General's infrastructure review highlights that nearly a third of our projects are delayed by an average of 15 months. When they are finally finished, the build quality is often so poor that the useful life is cut in half. We then spend millions hiring consultants to fix the asset register footnotes instead of fixing the engineering pipeline.

The Financial Consequences of Neglect

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The True Financial Cost of Poor Asset Management:

- AGSA findings: Unfruitful and wasteful expenditure driven by neglected infrastructure.
- Lost revenue: High levels of non-revenue water due to unaddressed pipe leaks.
- Increased litigation: Communities suing municipalities over lack of service delivery.
- Grant funding penalties: National Treasury withholding funds due to poor capital asset performance.

For the CFOs: poor asset management is a financial black hole. Non-revenue water in Limpopo is exceptionally high. We treat water at a massive cost, lose it in leaking networks, and can never bill for it. Effective asset management directly improves municipal revenue generation.

The Financial Consequences of Neglect

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Case Study / Conceptual Scenario

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A Tale of Two Pump Stations:

Municipality A (Audit-Centric): Perfect GRAP register. No maintenance plan. Pump fails after 3 years instead of 15. Emergency water trucking costs millions. Audit is clean, but town has no water.
Municipality B (Value-Centric): Integrated FAR and maintenance schedule. Minor repairs done annually. Pump lasts full 15 years. Continuous service delivery, stable finances.

Which municipality are you running?
Municipality A looks perfect on paper to the provincial oversight bodies, but the community is protesting outside the gates.
Municipality B understands that real asset management drives real dignity.

Turning the Tide: Strategic Recommendations

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Moving from Paper Compliance to Operational Value:

- Institutionalize Asset Management Committees (MM, CFO, Technical Directors meeting monthly).
- Enforce strict, uncompromised data handovers from Project Management Units (PMUs) to Finance.
- Ring-fence maintenance budgets and protect them from operational re-curtailment.
- Upskill and empower internal asset management units rather than over-relying on consultants.

We need to mandate monthly cross-functional asset meetings. When a project is 90% complete, the technical data must flow automatically to the financial register. No excuses, no delays.

Action Plan for Technical Directors

Engineering Accountability: The TD's Mandate.

- Implement formal, proactive Operations and Maintenance plans for all asset classes.
- Conduct regular, documented physical condition assessments of infrastructure.
- Translate engineering reality into financial metrics for the CFO.
- Stop accepting substandard handovers from capital expenditure contractors.

Technical Directors, you are the custodians of the physical assets. You must provide the data. Finance cannot guess the condition of an underground pipe. You must demand quality from your contractors so that the municipality inherits assets built to last.

Action Plan for CFOs and Municipal Managers

Administrative & Financial Leadership: The MM & CFO Mandate.

CFO: Prioritize asset preservation in budget allocations; view O&M as an investment, not a cost.
MM: Link performance agreements of TDs and CFOs to integrated asset management goals.
Jointly enforce consequence management for failure to update asset registers timeously.

CFOs, help your Technical Directors by protecting their maintenance budgets. Municipal Managers, you hold the pen. Tie the performance evaluations of your directors directly to how well municipal assets are preserved and updated.

Bringing it Home in 2026.

The Climate Shock: Floods, Storms, and GRAP 21 Impairments

The catastrophic **December and January storms and floods** devastated infrastructure across the Mopani, Vhembe, Sekhukhune, and Waterberg districts, resulting in massive damage to roads, clinics, water systems, and bridges.

This disaster directly triggers strict financial accounting mandates under **GRAP 21 (Impairment of Non-Cash-Generating Assets)**.

From Natural Disaster to Financial Shock: The Flood Reality

From Natural Disaster to Financial Shock:

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The R10 Billion Devastation: Recent severe storms and floods caused multi-billion Rand infrastructure damage across Limpopo.
GRAP 21 Triggered: Physical destruction is a mandatory accounting indicator of asset impairment.
The Carrying Value Risk: Overstating asset values on the balance sheet when physical infrastructure is washed away.
The Data Gap: Failing to register the drop in an asset's service potential leads directly to material audit findings.

If we ever needed proof that asset management is not just a desktop spreadsheet exercise, the recent climate disasters have given us a brutal lesson. The devastating floods and storms tore through Limpopo, leaving behind an infrastructure recovery bill estimated to reach up to R10 billion. Bridges collapsed, clinics flooded, and water treatment pipelines were completely washed away.

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This is an engineering disaster. But for a CFO and an MM, this is a massive compliance and financial risk. Under GRAP 21, physical damage is a non-negotiable indicator of asset impairment.
If an asset's ability to deliver services has dropped or ceased entirely, its carrying value on our books must be written down.

If we continue to list a washed-away bridge at its full historical value come audit season, we are guilty of misrepresenting the municipal financial position.

The Severe Operational Risks of Blind Impairment

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Specific Compliance & Operational Pitfalls of Natural Disasters:

Misallocated Grant Funding: Inability to secure National Disaster Relief funds due to unquantified asset damage.**Ghost Assets on the FAR:** Depreciation calculations continuing to run on infrastructure that no longer physically exists.**Insurance Gaps:** Failure to accurately report impairments can invalidate municipal asset insurance claims.**Silos Halt Recovery:** Finance cannot calculate impairment if Technical Services does not conduct formal condition assessments.

If our teams operate in silos, the Project Management Units (PMUs) and Technical departments are on the ground trying to build temporary bypasses, but they aren't documenting the impairment for Finance.

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What happens?
We end up with 'ghost assets' on our Fixed Asset Register—calculating routine depreciation on a pump station that is currently sitting under mud.
We risk failing to secure critical national grant interventions because we haven't legally or financially quantified the scale of our lost asset value.
Furthermore, when the Auditor-General knocks on our door, missing or delayed impairment testing on disaster-affected infrastructure is an automatic express ticket to a qualified audit opinion.
We must unite engineering assessments with accounting adjustments immediately."

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The recent climate crisis makes our old way of doing business completely untenable. We can no longer wait until the end of the financial year to figure out what assets we own and what condition they are in. Nature moves too fast for that.

When a storm hits a municipality, the response cannot just be an engineering response. It has to be a coordinated leadership response. The Technical Director must deploy teams to assess the physical condition of the assets.

That data must immediately be handed over to the CFO so that impairment registers can be updated in real time under GRAP 21. And the Municipal Manager must drive this process to ensure we protect our communities while remaining strictly compliant.

Let us look at how this unified team executes the turnaround."

Conclusion: The Call to Action

Our Legacy to Limpopo: Excellence in Service Delivery.

- Compliance is merely the floor; service delivery excellence is the ceiling.
- Let us move from managing assets for the auditors to managing them for our people.
- The transition from Register to Reality starts tomorrow in our offices.

Let's change the narrative in Limpopo. Let's build asset registers that reflect thriving, operational realities on the ground, ensuring sustainable service delivery for generations to come

Thank You!

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