



## **ADDENDUM**

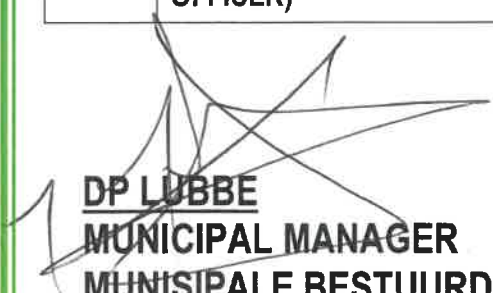
to the  
Agenda of the Council Meeting  
of **31 October 2023**

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## **ADDENDUM**

tot die Agenda van die  
Raadsvergadering  
van **31 Oktober 2023**

|       |                                                                         |    |
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| A4633 | REPORT ON ASSET MANAGEMENT POLICY (2023/2024) (CHIEF FINANCIAL OFFICER) | 02 |
|-------|-------------------------------------------------------------------------|----|

  
**DP LUBBE**  
**MUNICIPAL MANAGER**  
**MUNISIPALE BESTUURDER**

**REPORT ON ASSET MANAGEMENT POLICY (2023/2024) (CHIEF FINANCIAL OFFICER)**

**Purpose**

To submit a report to Council to amend the Asset Management Policy.

**Legal Framework**

Section 63(2)(c) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

**Background**

The municipality prepares annual financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) as required by the MFMA.

Investment Property is accounted for in accordance with GRAP 16. According to GRAP 16 the municipality has an option to measure Investment Property at fair value or at cost model after initial recognition. The municipality elected to measure investment property at cost model.

That said it is the accounting policy of the municipality to measure Investment Property at Cost Model after initial recognition and this accounting policy election has been correctly reflected on the annual financial statement submitted for audit on 31 August 2023. This accounting policy election is consistent with the accounting policy of the annual financial statement for the year ended 30 June 2022 and prior years.

The Asset Management Policy is inconsistent with the abovementioned accounting policy election. This is due to an error on the asset management policy as it states that *"After initial recognition, all investment property shall be measured at fair value"* instead of cost model.

**Recommendation:**

That the Asset Management Policy be amended to state **"After initial recognition, all investment property shall be measured at Cost Model"** in order to be consistent with the accounting policy election.