

Ingquza Hill Local Municipality

(Registration number EC153)

Annual Financial Statements for the year ended 30 June 2021



Ingquza Hill Local Municipality
(Registration number EC153)

Annual Financial Statements
for the year ended 30 June 2021

* See Note

Ingquza Hill Local Municipality

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General Information

Cllr Andiswa O. N. Nomchane
Cllr Zwelethemba Noncokwana
Cllr Fundisile Nomgca
Cllr Khosi D. Cele
Cllr Noncedo N. Cwecwe
Cllr Thobeka V. Dumisa
Cllr Phumla Dutshwa
Cllr N. Ntshagase
Cllr Nomonde P. Jamjam
Cllr Ncumisa Matandabuzo
Cllr Jongintaba Pat Mdingi
Cllr Dumisani Mjokovana
Cllr Nonceba C.B. Mngqinelwa
Cllr Pazamile N. Ngxamile
Cllr Busisiwe J. Nkani
Cllr Nolusapho M. Nkani
Cllr Nomathasanqa E. Nonkuba
Cllr Nomzingisi P. Nqetho (Passed away in December 2020)
Cllr Sipokazi Njisane (appointed in February 2021)
Cllr Ntombebhongo Gandela
Cllr Zanemvula Jabavu
Cllr Sthembiso Nicholas Mabasa
Cllr Nomazwe Mapoloba
Cllr Nozandile Mbangatha
Cllr Gugulethu Mbiko
Cllr Lusapho Isaac Ndziba
Cllr Mbulelo Nongciki
Cllr Mpofane Tenyane

Traditional leaders

Lindile Mgwili
Bomikazi Tshicila
Gugu Mfolozi
Mpendulo Jiba
Cawekazi Sigcau
Vuyokazi Cetywayo
Soyiso Mdutshane
Soyiso Makaula
Mongi Rula
Veni Gontsana
Mkwedini
Ayanda Bushula
Ntokozo Ntanta

Grading of local authority

Grade 3

Chief Finance Officer (CFO)

Mzukisi Mhlifili

Accounting Officer

M. Pinyana

Registered office

135 Main Street
Flagstaff

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Statement of Financial Position as at 30 June 2021

Figures in Rand

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories			
Receivables from exchange transactions	2	194 326	819 126
Receivables from non-exchange transactions	3&5	1 093 442	987 141
VAT receivable	4&5	24 550 702	23 149 776
Cash and cash equivalents	6	4 892 375	5 840 459
	7	206 823 428	137 969 473
		237 554 273	168 765 975
Non-Current Assets			
Investment property	8	865 385 896	771 395 329
Property, plant and equipment	9	793 646 564	760 794 488
		1 659 032 460	1 532 189 817
Total Assets		1 896 586 733	1 700 955 792
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	24 007 178	22 757 900
Payables from Non-exchange transactions	11	406 272	339 289
Unspent conditional grants and receipts	12	9 534 197	13 740 750
Employee benefits obligations	13	16 868 518	15 970 970
Provisions	14	1 783 632	1 848 190
		52 599 797	54 657 099
Non-Current Liabilities			
Employee benefits obligations	13	4 657 960	6 780 000
Provisions	14	16 160 355	14 536 479
		20 818 315	21 316 479
Total Liabilities		73 418 112	75 973 578
Net Assets		1 823 168 621	1 624 982 214
Accumulated surplus		1 823 168 621	1 624 982 214
Total Net Assets		1 823 168 621	1 624 982 214

* See Note 50

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported		
Adjustments	1 146 988 668	1 146 988 668
Prior year adjustments		
Balance at 01 July 2019 as restated*	220 140 756	220 140 756
Changes in net assets	1 367 129 424	1 367 129 424
Surplus for the year		
Total changes	257 852 790	257 852 790
Opening balance as previously reported	257 852 790	257 852 790
Adjustments	1 237 309 064	1 237 309 064
Prior year adjustments		
Restated* Balance at 01 July 2020 as restated*	400 038 082	400 038 082
Changes in net assets	1 637 347 146	1 637 347 146
Surplus for the year		
Total changes	185 821 475	185 821 475
Balance at 30 June 2021	1 823 168 621	1 823 168 621

* See Note 50

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 384 434	-	1 384 434	1 387 069	2 635	
Rental of facilities and equipment	12 650	-	12 650	973 143	960 493	N1
Agency services	3 750 000	-	3 750 000	3 655 822	(94 178)	
Other income - (rollup)	320 215	-	320 215	325 899	5 684	
Interest received - investment	128 387 000	37 483 952	165 870 952	6 510 222	(159 360 730)	N2
Total revenue from exchange transactions	133 854 299	37 483 952	171 338 251	12 852 155	(158 486 096)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	42 438 000	-	42 438 000	32 896 741	(9 541 259)	N4
Licences and Permits (Non-exchange)	205 000	-	205 000	-	(205 000)	N5
Transfer revenue						
Government grants & subsidies	278 016 000	53 799 326	331 815 326	405 323 872	73 508 546	
Fines, Penalties and Forfeits	385 452	-	385 452	1 382 006	996 554	N6
Total revenue from non-exchange transactions	321 044 452	53 799 326	374 843 778	439 602 619	64 758 841	
Total revenue	454 898 751	91 283 278	546 182 029	452 454 774	(93 727 255)	
Expenditure						
Personnel	(168 238 922)	(4 789 585)	(173 028 507)	(140 737 556)	32 290 951	N7
Remuneration of councillors	(26 030 190)	-	(26 030 190)	(22 625 940)	3 404 250	N8
Depreciation and amortisation	(52 653 865)	-	(52 653 865)	(74 380 992)	(21 727 127)	
Impairment loss/ Reversal of impairments	(26 652 188)	-	(26 652 188)	(8 190 727)	18 461 461	N9
Finance costs	-	-	-	(2 375 190)	(2 375 190)	N10
Other materials	(5 893 596)	(980 000)	(6 873 596)	-	6 873 596	N11
Contracted Services	(48 444 228)	(32 160 323)	(80 604 551)	(45 244 442)	35 360 109	N12
General expenses	(72 123 026)	(32 928 036)	(105 051 062)	(67 323 478)	37 727 584	N12
Total expenditure	(400 036 015)	(70 857 944)	(470 893 959)	(360 878 325)	110 015 634	
Operating surplus	54 862 736	20 425 334	75 288 070	91 576 449	16 288 379	
Gain on disposal of assets and liabilities	3 000 000	-	3 000 000	302 587	(2 697 413)	
Fair value adjustments	-	-	-	93 990 567	93 990 567	
Actuarial gains/losses	-	-	-	(48 128)	(48 128)	N13
	3 000 000	-	3 000 000	94 245 026	91 245 026	
Surplus before taxation	57 862 736	20 425 334	78 288 070	185 821 475	107 533 405	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	57 862 736	20 425 334	78 288 070	185 821 475	107 533 405	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	19 953 255	(980 000)	18 973 255	194 326	(18 778 929)	N14
Receivables from exchange transactions	1 521 023	-	1 521 023	1 093 442	(427 581)	N15
Receivables from non-exchange transactions	30 807 788	-	30 807 788	24 550 702	(6 257 086)	N15
VAT receivable	-	-	-	4 892 375	4 892 375	N15
Cash and cash equivalents	298 950 859	84 990 952	383 941 811	206 823 428	(177 118 383)	N16
	351 232 925	84 010 952	435 243 877	237 554 273	(197 689 604)	
Non-Current Assets						
Investment property	416 022 719	-	416 022 719	865 385 896	449 363 177	N17
Property, plant and equipment	781 750 068	21 813 626	803 563 694	793 646 564	(9 917 130)	N17
Intangible assets	18 093 071	608 000	18 701 071	-	(18 701 071)	N17
	1 215 865 858	22 421 626	1 238 287 484	1 659 032 460	420 744 976	
Total Assets	1 567 098 783	106 432 578	1 673 531 361	1 896 586 733	223 055 372	
Liabilities						
Current Liabilities						
Payables from exchange transactions	6 693 640	73 130 693	79 824 333	24 007 178	(55 817 155)	N18
Taxes and transfers payable (non-exchange)	-	-	-	406 272	406 272	
Unspent conditional grants and receipts	-	-	-	9 534 197	9 534 197	N19
Employee benefits obligations Provisions	-	-	-	16 868 518	16 868 518	
	16 123 156	148 887	16 272 043	1 783 632	(14 488 411)	
	22 816 796	73 279 580	96 096 376	52 599 797	(43 496 579)	
Non-Current Liabilities						
Employee benefits obligations Provisions	-	-	-	4 657 960	4 657 960	
	-	-	-	16 160 355	16 160 355	
	-	-	-	20 818 315	20 818 315	
Total Liabilities	22 816 796	73 279 580	96 096 376	73 418 112	(22 678 264)	
Net Assets	1 544 281 987	33 152 998	1 577 434 985	1 823 168 621	245 733 636	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 544 281 987	33 152 998	1 577 434 985	1 823 168 621	245 733 636	

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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.7 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	50
Infrastructure	Straight-line	24
Community	Straight-line	50
Other property, plant and equipment	Straight-line	15

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 accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

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Accounting Policies

1.9 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

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Accounting Policies

1.10 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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Accounting Policies

1.11 Statutory receivables (continued)

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and .

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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Accounting Policies

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2023/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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Notes to the Annual Financial Statements

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2021 2020

2. Inventories

Consumables	194 326	819 126
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Inventory pledged as security

No inventory was pledged as security.

3. Receivables from exchange transactions

Land sales debtors	128 761	-
Consumer debtors - Refuse	964 681	987 141
	1 093 442	987 141

Consumer debtors - Refuse

Consumer debtors - Refuse	10 481 019	9 657 331
Provision for impairment	(9 516 338)	(8 670 189)
	964 681	987 142

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

4. Receivables from non-exchange transactions

Fines	135 672	45 297
Consumer debtors - Rates	24 415 030	23 104 479
	24 550 702	23 149 776

Fines

Fines issued	2 982 751	1 692 400
Provision for impairment	(2 847 079)	(1 647 103)
	135 672	45 297

Provision for impairment

Consumer debtors - Rates	88 434 677	81 594 329
Provision for impairment	(64 019 647)	(58 489 850)
	24 415 030	23 104 479

5. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	88 434 677	81 594 329
Consumer debtors - Refuse	10 481 019	9 657 331
	98 915 696	91 251 660

Less: Allowance for impairment

Consumer debtors - Rates	(64 019 647)	(58 489 850)
Consumer debtors - Refuse	(9 516 338)	(8 670 189)
	(73 535 985)	(67 160 039)

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5. Consumer debtors disclosure (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	68 542 088	48 780 289
Contributions to allowance	7 169 729	19 761 799
	75 711 817	68 542 088
6. VAT receivable		
VAT	4 892 375	5 840 459
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	35	35
Bank balances	206 823 393	137 969 438
	206 823 428	137 969 473

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - 6224175712 - Primary account	68 548 949	4 374 709	239 630	67 998 162	3 130 408	836 578
First National Bank - 62219877836 - Call account	224 817	221 765	212 956	224 782	221 740	212 956
First National Bank - 74233699310 - Call account	43 068 727	41 386 486	38 433 372	43 068 726	41 386 485	36 760 215
First National Bank - 62231474537 - Call account	4 219 402	4 115 197	468 798	4 219 402	4 115 197	468 798
First National Bank - 62231473761 - Call account	59 299 037	57 865 661	22 109 795	59 299 037	57 865 661	22 109 795
First National Bank - 62792758503 - Call account	31 249 283	31 249 956	29 798 446	32 013 283	31 249 957	29 798 447
Total	206 610 215	139 213 774	91 262 997	206 823 392	137 969 448	90 186 789

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8. Investment property (continued)

- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	844 382	751 948
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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land	90 365 085	-	(34 107 085)	-	-	56 258 000
Buildings	80 033 622	-	-	-	(2 610 011)	77 423 611
Plant and machinery	22 771 478	160 741	-	-	(3 905 411)	19 026 808
Furniture and fixtures	7 713 752	184 245	-	-	(1 888 133)	6 009 864
Motor vehicles	8 849 198	9 544 035	-	-	(3 522 868)	14 870 365
IT equipment	3 308 309	320 489	-	-	(1 056 416)	2 572 382
Infrastructure	367 575 412	-	-	34 536 433	(44 900 111)	357 211 734
Community assets	47 563 016	-	-	-	(3 339 294)	44 223 722
Work in progress	173 905 078	43 819 363	-	(34 536 433)	-	183 188 008
	802 084 950	54 028 873	(34 107 085)	-	(61 222 244)	760 784 494

Plant, property and equipment

There is no Plant, property and equipment pledged as security.

Other information

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	2021	2020
9. Property, plant and equipment (continued)		
Ward 31 Mafadobo Stop	973 163	973 163
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount of the asset was based on its fair value less costs to sell or [its value in use.]		
Landfill Sites	8 121 107	8 121 107
The project has not been active due to community unrest. They do not want the landfill site to be developed next to their residential areas.		
	30 871 720	30 871 720

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	80 671 930	26 944 210	55 824 925	163 441 065

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	69 966 713	12 613 565	51 825 955	134 406 233
Additions/capital expenditure	67 281 863	18 081 544	3 998 970	89 362 377
Other movements [specify]	(2 543 457)	-	-	(2 543 457)
Transferred to completed items	(54 033 189)	(3 750 899)	-	(57 784 088)
	80 671 930	26 944 210	55 824 925	163 441 065

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Payables from exchange transactions

Trade payables	3 273 448	3 090 798
Retentions with held from contractors	20 733 729	19 667 102
Salaries control account	1	-
	24 007 178	22 757 900

11. Payables from Non-exchange transactions

Prepayments from debtors	406 272	339 289
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12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	8 475 777	12 703 330
LED Grant	1 037 420	1 037 420
Integrated National Electrification Programme Grant	21 000	-
	9 534 197	13 740 750

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13. Employee benefits obligations

Reconciliation of employee benefits obligations - 2021

	Opening Balance	Current service cost	Interest Costs	Actuarial loss/(gain)	Vested benefits	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for leave pay	10 667 624	(189 102)	-	-	-	-	10 478 522
Provision for bonus	2 204 230	222 148	-	-	-	-	2 426 378
Allowances accrued	2 109 156	3 065 618	-	-	(2 109 156)	-	3 065 618
Long Service Awards	7 769 960	1 101 000	527 000	337 000	(990 000)	(3 189 000)	5 555 960
	22 750 970	4 199 664	527 000	337 000	(3 099 156)	(3 189 000)	21 526 478

Reconciliation of employee benefits obligations - 2020

	Opening Balance	Current service cost	Interest cost	Actuarial (gain)/Loss	Vested benefits	Total
Provision for leave pay	7 907 499	2 760 125	-	-	-	10 667 624
Provision for bonus	2 102 165	102 065	-	-	-	2 204 230
Allowances accrued	853 047	2 109 156	-	-	(853 047)	2 109 156
Long Service Awards	6 729 765	1 108 657	527 694	(92 139)	(504 017)	7 769 960
	17 592 476	6 080 003	527 694	(92 139)	(1 357 064)	22 750 970

Non-current liabilities

Current liabilities	4 657 960	6 780 000
	16 868 518	15 970 970
	21 526 478	22 750 970

Reconciliation of current and non-current employee benefits obligations

Provision for leave pay	2021	2020
Provision for bonus	10 478 522	10 667 624
Allowances accrued	2 426 378	2 204 230
	3 065 618	2 109 156

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
13. Employee benefits obligations (continued)		
The following members are eligible for long service bonuses:		
In-service members	309	287
Unfunded Accrued Liability		
Total value of liabilities	5 556 000	7 770 000
Value of assets	-	-
	5 556 000	7 770 000
Unfunded Accrued Liability Analysis		
Expected current portion of liability (due within 12 months)	898 000	990 000
Expected non-current portion of liability (due thereafter)	4 658 000	6 780 000
	5 556 000	7 770 000
Key Actuarial Assumptions used are as follows:		
Discount rate	9,27 %	7,24 %
General Salary Inflation (long-term)	5,79 %	3,94 %
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3,00 %	3,17 %
Average retirement age	62	62
The amounts recognised in the Statement of Financial Performance are:		
Employee related costs - Current Service Cost	1 101 000	1 108 657
Finance Charges - Interest Cost	527 000	527 694
Actuarial Losses / (Gain)	337 000	(92 139)
Expected benefits vesting / paid during the year (N1)	(990 000)	(504 017)
Change in earnings definition (N2)	(3 189 000)	-
	(2 214 000)	1 040 195

N1 - This is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave. Therefore, this figure should not be confused as being only the amount of cash paid out in respect of the award. It represents the amount actually paid out in cash and the portion that was either taken or "stored" as leave.

If the actual amount of benefits vested is to be included instead in the above table, then the Actuarial Loss / (Gain) must change to exactly offset the impact, such that the Closing Accrued Liability remains unchanged. For example, if the actual amount of benefits vested was R100,000 lower than the estimate (based on last year's data), then the Actuarial Loss / (Gain) would have to reduce by R100,000 to leave the Closing Accrued Liability as is.

N2 - Employees' Long Service Awards are based on basic salary, referred to as "earnings" in this report. At the last valuation, cost-to-council was provided as earnings for the calculation of employees' Long Service Award. At this valuation, it was established that Long Service Award are based on basic salaries. This is the impact of the change in the earnings definition.

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2021

2020

13. Employee benefits obligations (continued)

Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities in Tables above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

14. Provisions

Decommissioning, restoration and similar liabilities: Landfill sites decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account

- the time value of money at the weighted average investing rate of the municipality,

- An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 61 of GRAP 19

- The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Provision for environmental rehabilitation

Current liabilities	1 783 632	1 848 190
Non-current liabilities	16 160 355	14 536 479
	17 943 987	16 384 669

Reconciliation of provision for environmental rehabilitation - 2021	Opening balance	Change in discount factor	Interest costs	Change in value of asset	Total
Provision for environmental rehabilitation	16 384 669	(288 872)	1 848 190	-	17 943 987

Reconciliation of provision for environmental rehabilitation - 2020	Opening balance	Change in discount factor	Interest costs	Change in value of asset	Total
	15 939 655	(1 091 569)	1 536 583	-	16 384 669

Unfunded Accrued Liability

There are currently no long-term assets set aside, offbalance sheet, in respect of the rehabilitation and closure liability. The total amount of the liability is an Unfunded Accrued Liability as at 30 June 2021 and is shown below

Net liability in Balance Sheet

Value of obligation	17 943 987	16 384 669
Value of assets	-	-
	17 943 987	16 384 669

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23. Property rates		
Rates received		
Residential	3 168 515	3 779 853
State	15 238 996	14 711 315
Small holdings and farms	78 099	74 194
Business	14 411 131	17 070 679
	32 896 741	35 636 041
Valuations		
Residential	296 053 200	299 489 000
Commercial	1 151 088 600	1 180 158 600
State	918 077 200	912 607 700
Municipal	647 924 303	646 769 903
Small holdings and farms	24 756 000	17 243 100
Public Service Properties	203 300	203 300
	3 038 102 603	3 056 471 603

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019.

The following general rate is applied to property valuations to determine assessment rates.

- Residential Property - 0.015c/R1
- Business /industrial and commercial property - 0.020c/R1
- Government Properties - 0.020c/R1
- Agricultural Property - 0.0052c/R1
- Public Service Infrastructure Property (PSI) - 0.016c/R1

Rebates of 40% (2020: 40%) are granted to residential and Public Service Infrastructure and 20% (2020: 20%) to Business, Government and Agricultural Properties.

Rates are levied on an annual basis with the final date for payment being Wednesday, 30 June 2021.

No Interest is charged on long outstanding debtors.

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2021 2020

24. Statutory receivables relating to other Standards of GRAP (other than exchange or non-exchange receivables) (continued)

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

To help in implementation of Financial Management Reforms required by the MFMA.

Libraries Archives and Museums (Library Grant)

Current-year receipts	800 000	800 000
Conditions met - transferred to revenue	(800 000)	(800 000)
	-	-

These grants were used for Library and Local Economic Development.

Local Government Service SETA (LGSETA)

Current-year receipts	933 381	198 928
Conditions met - transferred to revenue	(933 381)	(198 928)
	-	-

The LGSETA Grant is aimed at addressing the national priorities as set out in the National Skills Development Plan (NSDP 2030) and the scarce and critical skills needs identified through the LGSETA Sector Skills Plan.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	12 703 330	-
Current-year receipts	38 485 000	54 506 000
Conditions met - transferred to revenue	(42 712 553)	(41 802 670)
	8 475 777	12 703 330

Conditions still to be met - remain liabilities (see note 12).

These grants are allocated for the construction of roads. Provide for new, rehabilitation and upgrading of municipal infrastructure as part of upgrading of poor households, micro enterprises and social institutions.

Integrated National Electrification Programme Grant (INEP)

Current-year receipts	2 340 000	3 182 000
Conditions met - transferred to revenue	(2 319 000)	(3 182 000)
	21 000	-

Conditions still to be met - remain liabilities (see note 12).

This grant is utilised for addressing electrification backlog of all existing and planned residential dwellings (including informal settlements, new, and existing dwellings) and installation of relevant bulk infrastructure.

Expanded Public Works Programme Integrated Grant (EPWP)

Current-year receipts	1 443 000	1 398 000
Conditions met - transferred to revenue	(1 443 000)	(1 398 000)
	-	-

These grants were used for contingency measures put in place for disasters within the municipal area and creation of jobs.

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28. Employee related costs		
Basic	81 999 181	82 013 737
Bonus	5 205 647	4 962 093
Medical aid - company contributions	6 856 883	5 302 313
UIF	582 595	1 745 822
WCA	908 763	599 072
SDL	940 642	1 028 106
Leave pay provision charge	1 710 218	2 948 431
Overtime payments	13 968 412	11 240 280
Long-service awards	293 491	1 040 195
Acting allowances	248 643	-
Car allowance	8 129 639	6 776 213
Housing benefits and allowances	4 768 009	2 850 684
Cellphone allowance	645 522	713 438
Pension contribution	11 079 286	11 570 164
Termination benefits	3 400 625	-
	140 737 556	132 790 548
29. Remuneration of councillors		
Mayor	734 579	901 659
Chief Whip	686 446	686 446
Mayoral Committee Members	3 426 451	3 207 940
Speaker	729 488	729 488
Councillors	17 048 976	16 810 996
	22 625 940	22 336 529
In-kind benefits		
The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council. They all have use of a Council owned vehicle for official duties as well as two full-time close protectors each paid for by the municipality		
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa and within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.		
30. Depreciation and amortisation		
Property, plant and equipment	74 380 992	61 222 244
31. Impairment of assets		
Impairments		
Receivables from exchange revenue and non-exchange revenue	8 190 727	15 187 896
32. Finance costs		
Employee benefit obligations	527 000	641 809
Provision for landfill site obligation	1 848 190	2 258 014
	2 375 190	2 899 823

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34. General expenses		
Audit Committee Fees	47 000	67 000
Advertising	1 333 945	524 263
Auditors remuneration	3 005 427	3 796 582
Bank charges	108 615	115 261
Burial services	33 340	41 435
Bursaries	463 059	428 664
Cleaning	-	5 638
Consumables	2 919 969	4 739 971
Fuel and oil	4 910 728	4 740 275
Hire	3 273 313	1 587 999
IT expenses	3 051 091	7 418 768
Indigent Relief	11 654 260	2 821 801
Insurance	1 613 772	1 478 261
Learnerships and Internships	2 267 378	2 064 545
Motor vehicle licences	490 626	460 779
Registration fees	19 664	2 568 533
Postage and courier	1 087	-
Printing and stationery	21 092	262 276
Retail support programme	9 657 164	-
Promotions	39 040	168 050
Protective clothing	1 382 862	371 321
Radio and TV Transmissions	165 000	64 700
Remuneration to Ward Committees	7 300 602	7 873 680
Seating allowance for traditional leaders	468 000	491 000
Subscriptions and membership fees	2 277 082	1 588 538
Telephone and fax	3 670 534	5 789 898
Transport and freight	317 256	1 174 410
Travel - local	4 301 789	9 138 380
Utilities	2 256 868	1 986 522
Land surveys	272 915	341 696
	67 323 478	62 110 246
35. Auditors' remuneration		
Fees	3 005 427	3 796 582

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37. Related parties		
Relationships		
Accounting Officer		Refer to accounting officer's report note
Members of key management		Councilors - Refer to General Infoamtion on Page 1 for their listing Senior Management of the municipality - Refer to Payments to related parties in this note for their listing.
Related party transactions		
Compensation to accounting officer and other key management		
Short-term employee benefits	(857 174)	8 493 949

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37. Related parties (continued)

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Management class: Executive management

2021

Name	Basic salary	Bonuses and performance related payments	Acting allowance	Medical aid	Termination benefits	Cellphone allowances	Car Allowance	Other benefits received	Total
Municipal Manager - M. Fihlani (Contract terminated in February 2021)	772 638	43 198	-	-	2 140 903	-	123 135	164 718	3 244 592
Chief Finance Officer - M. Mhifili	811 455	-	-	-	-	-	270 485	-	1 081 940
Director of Community Services - M. Garane (N1)	766 636	-	19 651	79 653	-	19 492	216 158	-	1 101 590
Internal Audit Services - N. Jiki	1 081 940	-	-	-	-	-	-	-	1 081 940
Director of Corporate Services - M. B. Matubatuba	901 940	-	-	-	-	-	180 000	-	1 081 940
Director of Infrastructure Services - N. Ntloko (Appointed in April 2021)	240 485	-	-	-	-	-	30 000	-	270 485
Director of Planning and Development - A. Mbarane (Appointed in June 2021) (N2)	90 162	-	13 524	-	-	-	-	-	103 686
Director of Infrastructure Services - L. S. Tshangela (Contract terminated in October 2020)	249 653	-	-	-	1 259 722	25 253	64 937	-	1 599 565
Director of Planning and Development - G. R. Tobia (Resigned in December 2020)	455 068	-	-	-	-	-	90 000	152 414	697 482
Acting Municipal Manager - M. S. Gqada (Acted in the month of July 2020) (N3)	-	-	19 115	-	-	-	-	-	19 115
	5 369 977	43 198	52 290	79 653	3 400 625	44 745	974 715	317 132	10 282 335

2020

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37. Related parties (continued)

Name		
Mr Makhanya (Chairperson)	21 000	21 000
Ms Mingadi	13 000	13 000
Mr Zakuza	13 000	13 000
	47 000	47 000

2020

Name	Fees for services as a member of management	Total
Mr Makhanya (Chairperson)	28 000	28 000
Ms Mingadi	13 000	13 000
Mr Zakuza	13 000	13 000
Mr Makhabeni	13 000	13 000
	67 000	67 000

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	71 689 786	77 514 856
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Total capital commitments

Already contracted for but not provided for	71 689 786	77 514 856
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This committed expenditure relates to plant and equipment and will be financed by the three year capital grants receipts from National Treasury and own municipal funds and existing cash resources.

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39. Contingencies (continued)		
T.Dada v IHLM Damages as a result of a motor vehicle damaged by the tree at IHLM Jurisdiction. Matter was set down in court on 03/03/21 matter postponed to 29/03/2021 as there was no electricity.	-	-
Sobosa (Pty) Ltd v IHLM, Case No. 111/2020 Damages as a result of damaged vehicles inside municipal premises. We have filed notice of intention to defend.	1 756 000	1 756 000
Macingwane v IHLM, Case No. 1604/2020 Damages as a result of assault by another employee. The matter is being heard in the courts.	650 000	-
Rhini, Mangcotywa and others v IHLM (Labour Court Matter) The plaintiffs are challenging for unfair dismissal.	200 000	200 000
Gonya & Stoffela v IHLM (Labour Court Matter) The plaintiffs are challenging for unfair dismissal.	200 000	200 000
Mdingi v IHLM, Case No. 332/2019 Plaintiff is seeking an Interdict and review of Council decision. Awaiting Judgment matter argued on 11 May 2021 in Supreme Court of Appeal.	400 000	400 000
EFF v IHLM and others EFF challenging the dress code of counsellors.	-	-
Speaker ORTDM v IHLM and others Challenging the recalling of municipal reps at OR Tambo District Municipality.	-	-
IHLM v Nceba Dinwayo and Others, Case No. 366/17 Interdict (land invasion)	200 000	200 000
IHLM v T. Mdiya and others, Case No.112/2018 Interdict (land invasion)	200 000	200 000
IHLM v Quanza, Case No. 114/2014 The municipality intend to terminate the contract due to poor performance.	200 000	200 000
IHLM v MTN Our Lawyers are engaging MTN for possible settlement. Matter not in court yet.	100 000	100 000
	20 929 217	20 279 217
40. Irregular expenditure		
Opening balance as previously reported	1 594 017	7 490 019
Opening balance as restated	1 594 017	7 490 019
Add: Irregular Expenditure - current	1 906 549	1 391 434
Less: Amount written off - prior period	-	(7 287 436)
Closing balance	3 500 566	1 594 017

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41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Deviations

Supply of covid 19 PPE Procurement of COVID-19 PPE was made through the emergency system and the number of incidents were 5 (2020: 5).	-	1 358 434
Transportation of water tanks to 32 wards in IHLM Procurement of transportation of water tanks to 32 wards in IHLM was made through the emergency system.	-	253 120
Decontamination and fumigation of offices Procurement of decontamination and fumigation of offices services was made through the emergency system and the number of incidents were 7 (2020: 3).	1 222 627	596 000
Supply of material of Taweni Access Road Procurement of the supply of material of Taweni Access Road was made through the emergency system.	-	795 895
Preparation of Covid -19 Plan and report Procurement of the services to to prepare the COVID-19 Plan and Report was made through the emergency system.	-	97 000
Hiring of VIP toilets Procurement of decontamination and fumigation of offices services was made through the emergency system and the number of incidents were eight (2020: one).	1 119 700	96 000
Procurement of 68 loud hailers Procurement of 68 loud hailers was made through the emergency system.	-	142 800
Procurement of laptops Procurement of laptops was made through the emergency system and the number of incidents were two.	140 168	-
	2 482 495	3 339 249

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

Current year subscription / fee	3 005 427	3 796 582
Amount paid - current year	(3 005 427)	(3 796 582)
	-	-

PAYE and UIF

Current year tax	28 187 090	24 204 401
Amount paid - current year	(28 187 090)	(24 204 401)
	-	-

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44. Financial instruments disclosure (continued)

2021

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	1 093 442	1 093 442
Other receivables from non-exchange transactions	24 550 702	24 550 702
Cash and cash equivalents	206 823 428	206 823 428
	232 467 572	232 467 572

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	24 007 178	24 007 178
Taxes and transfers payable (non-exchange)	406 272	406 272
	24 413 450	24 413 450

2020

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	987 141	987 141
Other receivables from non-exchange transactions	23 149 776	23 149 776
Cash and cash equivalents	137 969 473	137 969 473
	162 106 390	162 106 390

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	22 757 900	22 757 900
Taxes and transfers payable (non-exchange)	339 289	339 289
	23 097 189	23 097 189

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47. Budget differences (continued)

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

N1: The municipality under budgeted because there was an expectation that the municipality will not be able to collect revenue due to Covid 19 regulations

N2: Included in the interest on investment budget is an amount of R156 463 000 which relates to the transfer from reserves which is a non-cash item therefore the variance that is left is 44% which is as a result of interest rates from the banking institutions

N3: The municipality anticipated to make gain on the disposal of assets but instead made a loss as this process is driven by the appetite of the buyers on auction.

N4: The municipality undercollected this is due to the effects of the Lockdown regulations as the municipality could not be able to fully implement the debt collection processes

N5: The licences and permits are disclosed under other income in the income statement but are separately budgeted for.

N6: The lockdown restrictions resulted into more roadblocks than anticipated as the budgeting was based on the limited movement of vehicles.

N7: The variance is caused by the number of vacant positions where some budgeted posts were filled during the year and others were not filled until year end.

N8: The increment for councillors as per the determination of upper limits was less than the anticipated increase.

N9: The municipality budgeted to write off some debts after consultative process with ratepayers but due to lockdown restrictions the consultative engagements could not take place.

N10: Finance costs is budgeted under general expenditure

N11: The expenditure for other materials is disclosed under contracted services

N12: The municipality spent less on this items due to the implementation of cost containment measures as well as the lockdown restrictions

N13: The municipality did not budget for a loss on actuarial gain as this could not be anticipated also this a non-cash item.

N14: The variance is due to the prior period error where investment property was classified as inventory and the budgeting was based on that.

N15: The balances on these items is driven by consumers.

N16: The cash and cash equivalents is driven by the spending and the ability to collect revenue by the municipality

N17: The variance is due to prior period error corrections which were carried forward to the current year

N18: All payables in the balance sheet are budgeted for underpayables from exchange transactions

48. Segment information

General information

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48. Segment information (continued)										
Segment surplus or deficit, assets and liabilities										
2021										
	Community and Social Services	Energy Sources	Executive and Council	Finance and Administration	Internal Audit	Planning and Development	Road Transport	Waste Management	Eliminations	Total
REVENUE										
Revenue from non-exchange transactions										
Property rates	-	-	-	32 896 741	-	-	-	-	-	32 896 741
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	1 382 006	1 382 006
Transfers and subsidies	-	2 319 000	-	328 712 381	-	29 336 938	31 899 411	2 243 000	-	394 510 730
Revenue from exchange transactions										
Service charges - refuse revenue	-	-	-	-	-	-	-	-	1 387 069	1 387 069
Rental of facilities and equipment	-	-	-	-	-	962 017	-	-	11 126	973 143
Interest earned - external investments	-	-	-	6 510 222	-	-	-	-	-	6 510 222
Agency services	-	-	-	-	-	-	-	-	3 655 820	3 655 820
Other revenue	-	-	-	283 045	-	9 796	-	-	33 058	325 899
Gains on disposal of PPE	-	-	-	302 587	-	-	-	-	-	302 587
Fair value adjustments	-	-	-	93 990 569	-	-	-	-	-	93 990 569
Total segment revenue	-	2 319 000	-	462 695 545	-	30 308 751	31 899 411	2 243 000	6 469 079	535 934 786

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	Community and Social Services	Energy Sources	Executive and Council	Finance and Administration	Internal Audit	Planning and Development	Road Transport	Waste Management	Eliminations	Total
48. Segment information (continued)										
OTHER INFORMATION										
Segment Assets										
Current Assets - Consumer and Other Debtors	45 168	6 264 676	1 054 998	5 536 131	197 392	1 429 832	39 598 802	4 614 583	-	58 741 582
Segment Liabilities										
Current Liabilities - Trade and Other Payables	-	1 046 262	110 822	64 871 151	9 485	5 604 911	2 662 742	778 017	-	75 083 390

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2020

	Community and Social Services	Energy Sources	Executive and Council	Finance and Administration	Internal Audit	Planning and Development	Road Transport	Waste Management	Total

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	Community and Social Services	Energy Sources	Executive and Council	Finance and Administration	Planning and Development	Internal Audit	Road Transport	Waste Management	Total
48. Segment information (continued)									
CAPITAL EXPENDITURE									
Construction Work-in-progress	-	-	-	-	-	-	77 055 522	-	77 055 522
Computer Equipment	-	-	-	414 969	-	-	-	-	414 969
Electrical Infrastructure	-	6 306 117	-	-	-	-	-	-	6 306 117
Furniture and Office Equipment	-	-	-	184 245	-	-	181 479	-	365 724
Machinery and Equipment	-	-	160 741	-	-	-	-	-	160 741
Transport Assets	-	-	-	9 554 036	-	-	-	-	9 554 036
Total Capital Expenditure	-	6 306 117	160 741	10 153 250	-	-	77 237 001	-	93 857 109

OTHER INFORMATION

Segment Assets

Current Assets - Consumer and Other Debtors	45 168	5 038 781	917 467	23 723 911	1 081 750	195 720	28 873 935	3 672 551	63 549 283
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Segment Liabilities

Current Liabilities - Trade and Other Payables	-	756 567	156 522	92 275 143	4 991 275	9 485	2 368 305	561 907	101 119 204
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Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The nature and effect of any asymmetrical allocations to reportable segments

An municipality allocated depreciation expense to a segment without allocating the related depreciable assets to that segment.

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50. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Restatements to 2019 Financial year

Inventories

N1: Being reclassification of investment property that was previously disclosed as inventory incorrectly.

Receivables from exchange transactions

N2: Land Sales Debtors were previously raised of R7 061 952, Deposits of R2 561 341 and Rental Debtors of R19 949. These debtors were written off by council as non-existing receivables

Receivables from non-exchange transactions

N3: Unsupported traffic fines receivables of R5 834 355 were written off, furthermore, an adjustment of R174 532 was processed to the provision for impairment of traffic fines.

Investment Property

N1: This was due to reclassification of investment property that was previously disclosed as inventory incorrectly. The value of the land is R13 879 638

Property, Plant and Equipment

N4:

Payables from exchange transactions

N5: There was a reclassification of Leave and Bonus Provision (R14 038 385) to Employee Benefits Obligation as required by GRAP 25.

N8: There was a reclassification of prepaid income to Payables from Non-Exchange transactions of R4 015 970

Provisions - current liabilities

N10: This adjustment was made to align the current portion of provision for landfill sites rehabilitation after the valuations were performed by the municipality.

Provisions - Non-current liabilities

N6 ; There was a reclassification of Provision for Long Service Awards to Employee benefits Obligations as per GRAP 25 requirements.

N10: This adjustment was made to align the recognise the long term portion of the provision for landfill sites rehabilitation after the valuations were performed by the municipality.

Employee benefits obligations

N7: There was a reclassification of Provision for Leave and Bonus from Trade and Other Payables from Exchange transaction of R14 038 385. There was also a reclassification of Long Service Awards from Provisions of R6 729 765.

There was also a restatement of provision for leave pay and provision for bonus of R2 368 693 and raising an accrual of allowances not paid at year end of R853 047

Payables from Non-exchange transactions

N8: This relates to reclassification of the income received in advance as well as correction of the 2019 closing balances.

Restatements to 2020 Financial year

Inventories

N1: Being reclassification of investment property that was previously disclosed as inventory incorrectly.

Receivables from exchange transactions

N2: Land Sales Debtors were previously raised of R7 061 952, Deposits of R2 561 341 and Rental Debtors of R19 949. These debtors were written off by council as non-existing receivables. There was also a movement in the provision for impairment of R179 950

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50. Prior-year adjustments (continued)

Reclassification of Workers Compensation Fund payment from general expenditure to employee related costs.

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories - N1		12 169 626	(11 350 500)	-	819 126
Receivables from exchange transactions - N2		10 638 541	(9 651 400)	-	987 141
Receivables from non-exchange transactions - N3		29 293 999	(6 144 223)	-	23 149 776
VAT receivable		6 754 817	(914 358)	-	5 840 459
Investment property - N1		393 368 510	378 026 819	-	771 395 329
Property, plant and equipment - N4		696 182 539	64 611 949	-	760 794 488
Payables from exchange transactions - N9		(52 318 791)	10 561 440	18 999 451	(22 757 900)
Unspent conditional grants and receipts		(17 120 291)	-	-	(17 120 291)
Provisions - Non-current liabilities - N10		(6 780 000)	(16 384 669)	6 780 000	(16 384 669)
Accumulated surplus		(1 209 788 440)	(411 444 250)	-	(1 621 232 690)
Employee benefit obligations - Current portion N11		-	(943 625)	(15 027 345)	(15 970 970)
Employee benefit obligations Non Current portion - N11		-	-	(6 780 000)	(6 780 000)
Payables from Non-exchange transactions - N12		-	3 632 817	(3 972 106)	(339 289)
		(137 599 490)	-	-	(137 599 490)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Other income - N14		3 812 543	-	(2 847 907)	964 636
Property rates - N3		35 637 967	(1 926)	-	35 636 041
Donations received - N19		9 794 921	-	(9 794 921)	-
Actuarial gains		-	1 183 708	-	1 183 708
Agency services - N14		-	-	2 847 907	2 847 907
Expenditure					
Employee related costs - N15		(128 124 168)	(4 067 308)	(599 072)	(132 790 548)
Increase in provision for impairment		(6 223 192)	(8 964 704)	-	(15 187 896)
Contracted services - N16		(21 097 328)	(1 564 954)	-	(22 662 282)
Depreciation - N17		(53 203 969)	8 018 275	-	(45 185 694)
General expenditure N18		(65 548 603)	2 839 285	599 072	(62 110 246)
Deficit for the year		(224 951 829)	(2 557 624)	(9 794 921)	(237 304 374)

Change in accounting policy

No change in accounting policies occurred during the year under review.