



INGQUZA HILL LOCAL MUNICIPALITY

Ingquza Hills Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

| | |
|---|--|
| Legal form of entity | Municipality |
| Nature of business and principal activities | Provision of services to the community as prescribed by the Local Government Municipal Structure Act No. 117 of 1998 and the constitution of the Republic of South Africa Act No. 108 of 1996. |
| Areas of operation | Ingquza Hills local Municipality covers the following areas: Flagstaff Lusikisiki |
| Members of the executive council and leadership: | |
| Mayor | Cllr P. N Pepping |
| Speaker | Cllr S.B. Vatsha |
| Chief Whip | Cllr M.I Nkungu |
| Member of Executive Committee | Cllr N.A. Gagai-Nkungu (Portfolio Head: Institutional Transformation and Organisational Development) Cllr N.P. Jam-Jam (Portfolio Head: Good Governance and Public Participation) Cllr Z. Mhlongo (Portfolio Head: Social Services) Cllr B.N. Mvulana (Portfolio Head: Planning and Development) Cllr B.J. Nkani (Portfolio Head: Budget and Treasury) Cllr V. Somani (Portfolio Head: Human Settlement) Cllr K Vava (Portfolio Head: Engineering and Technical Services) Cllr Z. Sigcu (No Portfolio) Cllr L.I. Ndziba (No Portfolio) |
| Councillors | Cllr N.N. Cwecwe Cllr N. Daniso Cllr S.H. Mtshazo Cllr Z. Noncokwana Cllr N. B. Notyesi Cllr Z. Ndzeneni Cllr N.C.B. Mngqinelwa Cllr B.N. Mvulana Cllr Z.P. Bambusiba Cllr M.C. Didiza Cllr M.A. Guleni Cllr T.S. Giyo Cllr T. Jotile Cllr M. Kwaza Cllr Z. Mageza Cllr V. Nongumza Cllr D. Mchosini Cllr T. P. Mgudu Cllr L. Thimle Cllr K. Mnyayiza Cllr M Mgqobho Cllr N. Mzothwa Cllr T. Ndzumo Cllr S. Njovane Cllr S. Njisane |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Cllr B. Nokele
Cllr Z.I. Nomazele
Cllr F. Nomgca
Cllr S. Nontswabu
Cllr M.T. Ntilini
Cllr V. Nowa
Cllr S. Mbendane
Cllr M. Ntshwela
Cllr M.P. Sibulali
Cllr M. Tenyane
Cllr L. Thimle
Cllr S. Tshabane
Cllr Z. Vatsha
Cllr N. Zathi
Cllr Z. Mtsotso
Cllr Z. Ndzekeni
Cllr Z. Mabhuyana
Cllr B. Mabhedumana
Cllr M. Marhafu
Cllr P.E. Supu
Cllr N.P. Mhle
Cllr N. Somazana
Cllr L. Kumalo
Cllr M. Tshabiso
Cllr M.A. Guleni
Cllr M. Mlandelwa
Cllr T.D. Nokwindla
Cllr P.T. Sobayeni
Cllr T.N. Ntshangase
Cllr T.S. Giyo
Cllr S. Chitha

Traditional leaders:

Chief L. Dinwayo
Chief C.P. Sigcau

Grading of local authority

Grade 3

Chief Finance Officer (CFO)

Mr. Buhle S. Fikeni

Accounting Officer

Mr. Velile Castro Makedama

Registered office

No. 135 main Street
Flagstaff
4810

Postal address

P.O. Box 14
Flagstaff
4810

Bankers

First National Bank

Auditors

Auditor general of South Africa (Eastern Cape)
Registered Auditors

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Attorneys

Ndum Ndum Attorneys
Nzo Attorneys

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Abbreviations used:

| | |
|--------|---|
| INEP | Intregrated National Electrification Program |
| AARTO | Adminstrative Adjudication of Road Traffic Offences |
| GRAP | Generally Recognised Accounting Practice |
| ENATIS | Electronic National Traffic Information System |
| SDL | Skills Development levy |
| UIF | Unemployment Insurance Fund |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |
| SARS | South Africa Revenue Services |
| VAT | Value Added Taxation |
| SCM | Supply Chain Management |
| Cllr | Councillor |
| MPAC | Municipal Public Accounts Committee |
| LED | Local Economic Development |
| DBO | Defined benefit Obligation |
| LSA | Long Service Award |
| PAYE | Pay As You Earn |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed on its behalf by:



Mr. Velile Castro Makedama
Municipal Manager

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | - | 142 084 |
| Statutory receivables | 4 | 7 845 784 | 12 968 823 |
| VAT receivable | 5 | 1 872 705 | 5 638 382 |
| Receivables from exchange transactions | 6 | 1 324 700 | 1 159 036 |
| Cash and cash equivalents | 7 | 267 821 868 | 225 657 101 |
| | | 278 865 057 | 245 565 426 |
| Non-Current Assets | | | |
| Investment property | 8 | 769 966 526 | 750 955 543 |
| Property, plant and equipment | 9 | 778 080 990 | 739 109 975 |
| | | 1 548 047 516 | 1 490 065 518 |
| Total Assets | | 1 826 912 573 | 1 735 630 944 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 12 | 32 859 263 | 29 860 850 |
| Employee benefit obligation | 11 | 636 000 | 685 000 |
| Unspent conditional grants and receipts | 13 | 7 306 036 | 5 100 382 |
| Provisions | 14 | 3 150 620 | 3 024 315 |
| | | 43 951 919 | 38 670 547 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 11 | 5 789 000 | 5 105 000 |
| Provisions | 14 | 23 236 484 | 20 940 147 |
| | | 29 025 484 | 26 045 147 |
| Total Liabilities | | 72 977 403 | 64 715 694 |
| Net Assets | | 1 753 935 170 | 1 670 915 250 |
| Accumulated surplus | | 1 753 935 171 | 1 670 915 257 |
| Total Net Assets | | 1 753 935 171 | 1 670 915 257 |

* See Note 35

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 15 | 1 095 820 | 1 351 306 |
| Rendering of services | 16 | 277 273 | 325 453 |
| Rental of facilities and equipment | 17 | 965 480 | 894 163 |
| Interest on debtors - waste management | 18 | 979 702 | 81 541 |
| Agency services | 19 | 4 248 411 | 4 032 152 |
| Licences and permits | 20 | 87 647 | 41 582 |
| Other income | 21 | 136 719 | 133 666 |
| Interest income - investment | 22 | 24 812 201 | 15 421 705 |
| Total revenue from exchange transactions | | 32 603 253 | 22 281 568 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 23 | 31 222 470 | 30 989 107 |
| Interest on debtors - statutory receivables | 24 | 8 309 752 | 742 151 |
| Transfer revenue | | | |
| Government grants & subsidies | 25 | 408 162 410 | 393 248 047 |
| Fines, Penalties and Forfeits | 26 | 1 327 444 | 1 450 304 |
| Public contributions and donations | | - | 2 300 000 |
| Total revenue from non-exchange transactions | | 449 022 076 | 428 729 609 |
| Total revenue | | 481 625 329 | 451 011 177 |
| Expenditure | | | |
| Employee related costs | 27 | (148 630 287) | (150 358 516) |
| Remuneration of councillors | 28 | (26 345 745) | (24 369 420) |
| Depreciation and amortisation | 29 | (49 639 111) | (48 815 434) |
| Finance costs | 30 | (3 671 089) | (3 022 591) |
| Debt Impairment | 31 | (11 949 912) | (12 360 791) |
| Contracted services | 32 | (55 245 794) | (60 483 129) |
| Transfers and Subsidies | 33 | (7 820 420) | (10 004 464) |
| General Expenses | 34 | (115 206 123) | (90 607 866) |
| Total expenditure | | (418 508 481) | (400 022 211) |
| Operating surplus | | 63 116 848 | 50 988 966 |
| Loss on disposal of assets | 9 | (229 629) | - |
| Fair value adjustments | 10 | 19 010 983 | 44 718 309 |
| Actuarial gains/losses | 11 | 1 121 713 | 1 456 544 |
| | | 19 903 067 | 46 174 853 |
| Surplus for the year | | 83 019 915 | 97 163 819 |

* See Note 35

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|----------------------------------|----------------------|
| Opening balance as previously reported | 1 387 544 442 | 1 387 544 442 |
| Adjustments | | |
| Prior year adjustments 35 | 186 206 996 | 186 206 996 |
| Balance at 01 July 2022 as restated* | 1 573 751 438 | 1 573 751 438 |
| Changes in net assets | | |
| Surplus for the year | 97 163 819 | 97 163 819 |
| Total changes | 97 163 819 | 97 163 819 |
| Restated* Balance at 01 July 2023 | 1 670 915 256 | 1 670 915 256 |
| Changes in net assets | | |
| Surplus for the year | 83 019 915 | 83 019 915 |
| Total changes | 83 019 915 | 83 019 915 |
| Balance at 30 June 2024 | 1 753 935 171 | 1 753 935 171 |

Note(s)

The accounting policies on pages 14 to 43 and the notes on pages 44 to 99 form an integral part of the annual financial statements.

* See Note 35

Cash Flow Statement

Figures in Rand

| | Note(s) | 2024 | 2023 Restated* |
|---|---------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Property rates | | 38 429 398 | 37 505 223 |
| Sale of goods and services | | 6 821 030 | 5 931 278 |
| Grants | | 410 368 064 | 387 935 206 |
| Interest income | | 24 812 201 | 15 421 705 |
| | | <u>480 430 693</u> | <u>446 793 412</u> |
| Payments | | | |
| Employee costs | | (171 344 394) | (173 279 359) |
| Suppliers | | (178 081 782) | (172 420 909) |
| Finance costs | | - | - |
| | | <u>(349 426 176)</u> | <u>(345 700 268)</u> |
| Net cash flows from operating activities | 36 | <u>131 004 517</u> | <u>101 093 144</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | <u>(88 839 754)</u> | <u>(84 168 558)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 42 164 763 | 16 924 586 |
| Cash and cash equivalents at the beginning of the year | | 225 657 101 | 208 732 515 |
| Cash and cash equivalents at the end of the year | 7 | <u>267 821 864</u> | <u>225 657 101</u> |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 | Note reference |
|--|-----------------|-------------|--------------|------------------------------------|--|----------------|
|--|-----------------|-------------|--------------|------------------------------------|--|----------------|

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|-------------------|------------------|-------------------|-------------------|--------------------|-------------|
| Service charges | 1 599 996 | - | 1 599 996 | 1 095 820 | (504 176) | (32 %) - 49 |
| Rendering of services | 793 284 | - | 793 284 | 277 273 | (516 011) | (65 %) - 49 |
| Rental of facilities and equipment | 1 858 548 | - | 1 858 548 | 965 480 | (893 068) | (48 %) - 49 |
| Interest on debtors- waste management | 314 100 | 320 000 | 634 100 | 979 702 | 345 602 | (55 %) - 49 |
| Agency services | 7 000 008 | - | 7 000 008 | 4 248 411 | (2 751 597) | (39 %) - 49 |
| Licences and permits | 150 000 | - | 150 000 | 87 647 | (62 353) | (41 %) - 49 |
| Other income | 152 352 | - | 152 352 | 136 719 | (15 633) | (10 %) - 49 |
| Interest income- investment | 14 000 004 | 8 000 000 | 22 000 004 | 24 812 201 | 2 812 197 | (13 %) - 49 |
| Total revenue from exchange transactions | 25 868 292 | 8 320 000 | 34 188 292 | 32 603 253 | (1 585 039) | |

Revenue from non-exchange transactions

Taxation revenue

| | | | | | | |
|--|------------|-----------|------------|------------|--------------|-------------|
| Property rates | 41 482 776 | - | 41 482 776 | 31 222 470 | (10 260 306) | (25 %) - 49 |
| Interest income on debtors - statutory receivables | 4 083 300 | 2 600 000 | 6 683 300 | 8 309 752 | 1 626 452 | (24 %) - 49 |

Transfer revenue

| | | | | | | |
|-------------------------------|-------------|------------|-------------|-------------|-------------|------------|
| Government grants & subsidies | 401 891 020 | 13 774 382 | 415 665 402 | 408 162 410 | (7 502 992) | (1.8) - 49 |
| Fines, Penalties and Forfeits | 1 251 288 | - | 1 251 288 | 1 327 444 | 76 156 | (6 %) - 49 |

| | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Total revenue from non-exchange transactions | 448 708 384 | 16 374 382 | 465 082 766 | 449 022 076 | (16 060 690) | |
|---|--------------------|-------------------|--------------------|--------------------|---------------------|--|

| | | | | | | |
|----------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|
| Total revenue | 474 576 676 | 24 694 382 | 499 271 058 | 481 625 329 | (17 645 729) | |
|----------------------|--------------------|-------------------|--------------------|--------------------|---------------------|--|

Expenditure

| | | | | | | |
|-------------------------------|---------------|--------------|---------------|---------------|------------|-------------|
| Employee related costs | (168 941 960) | 3 014 006 | (165 927 954) | (148 630 287) | 17 297 667 | (10 %) - 49 |
| Remuneration of councillors | (29 720 868) | - | (29 720 868) | (26 345 745) | 3 375 123 | 11 %) - 49 |
| Depreciation and amortisation | (86 363 008) | 23 965 676 | (62 397 332) | (49 639 111) | 12 758 221 | (20 %) - 49 |
| Finance costs | - | (3 800 000) | (3 800 000) | (3 671 089) | 128 911 | (3 %) - 49 |
| Debt Impairment | (53 000 004) | 20 000 000 | (33 000 004) | (11 949 912) | 21 050 092 | (64 %) - 49 |
| Contracted Services | (63 345 452) | (26 764 374) | (90 109 826) | (55 245 794) | 34 864 032 | (39 %) - 49 |
| Transfers and Subsidies | (2 110 008) | (8 000 000) | (10 110 008) | (7 820 420) | 2 289 588 | (23 %) - 49 |
| General Expenses | (129 246 484) | (43 861) | (129 290 345) | (115 206 123) | 14 084 222 | (11 %) - 49 |

| | | | | | | |
|--------------------------|----------------------|------------------|----------------------|----------------------|--------------------|--|
| Total expenditure | (532 727 784) | 8 371 447 | (524 356 337) | (418 508 481) | 105 847 856 | |
|--------------------------|----------------------|------------------|----------------------|----------------------|--------------------|--|

Operating surplus

| | | | | | | |
|--|---|-----------|-----------|------------|------------|--------------|
| Loss on disposal of assets and liabilities | - | - | - | (229 629) | (229 629) | (100 %) - 49 |
| Fair value adjustments | - | - | - | 19 010 983 | 19 010 983 | (100 %) - 49 |
| Actuarial gains/losses | - | 1 000 000 | 1 000 000 | 1 121 713 | 121 713 | (12 %) - 49 |

| | | | | | | |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|--------------------|--|
| Surplus before taxation | (58 151 108) | 34 065 829 | (24 085 279) | 83 019 915 | 107 105 194 | |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|--------------------|--|

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 | Note reference |
|--|---------------------|-------------------|---------------------|--|---|----------------|
| Figures in Rand | | | | | | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (58 151 108) | 34 065 829 | (24 085 279) | 83 019 915 | 107 105 194 | |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 | Note reference |
|--|-----------------|-------------|--------------|------------------------------------|--|----------------|
|--|-----------------|-------------|--------------|------------------------------------|--|----------------|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | | |
|--|--------------------|-------------------|--------------------|--------------------|-------------------|---------------|
| Inventories | 2 253 669 | 14 739 996 | 16 993 665 | - | (16 993 665) | (100%) - 49 |
| Operating lease asset | 1 759 395 | - | 1 759 395 | - | (1 759 395) | (100%) - 49 |
| Statutory receivables | 31 474 075 | 22 600 000 | 54 074 075 | 7 845 784 | (46 228 291) | (85%) - 49 |
| VAT receivable - SARS | 8 879 041 | 44 000 | 8 923 041 | 1 872 705 | (7 050 336) | (79 %) - 49 |
| Receivables from exchange transactions | 1 951 251 | 276 000 | 2 227 251 | 1 324 700 | (902 551) | 41 %) - (49 |
| Cash and cash equivalents | 153 570 293 | 19 574 382 | 173 144 675 | 267 821 868 | 94 677 193 | (547 %) - 49 |
| | 199 887 724 | 57 234 378 | 257 122 102 | 278 865 057 | 21 742 955 | |

Non-Current Assets

| | | | | | | |
|-------------------------------|----------------------|-------------------|----------------------|----------------------|----------------------|-------------|
| Investment property | 761 156 888 | - | 761 156 888 | 769 966 526 | 8 809 638 | (1 %) - 49 |
| Property, plant and equipment | 885 259 685 | 32 303 301 | 917 562 986 | 778 080 990 | (139 481 996) | (15 %) - 49 |
| | 1 646 416 573 | 32 303 301 | 1 678 719 874 | 1 548 047 516 | (130 672 358) | |

Total Assets

| | | | | | |
|----------------------|-------------------|----------------------|----------------------|----------------------|--|
| 1 846 304 297 | 89 537 679 | 1 935 841 976 | 1 826 912 573 | (108 929 403) | |
|----------------------|-------------------|----------------------|----------------------|----------------------|--|

Liabilities

Current Liabilities

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|--------------|
| Payables from exchange transactions | 31 350 550 | 58 521 850 | 89 872 400 | 32 859 263 | (57 013 137) | (63 %) - 49 |
| Taxes and transfers payable (non-exchange) | - | (2 000 000) | (2 000 000) | - | 2 000 000 | (100 %) - 49 |
| Employee benefit obligation | 1 178 625 | - | 1 178 625 | 636 000 | (542 625) | (6 %) - 49 |
| Unspent conditional grants and receipts | - | (2 200 000) | (2 200 000) | 7 306 036 | 9 506 036 | (17 %) - 49 |
| Provisions | 3 184 622 | - | 3 184 622 | 3 150 620 | (34 002) | (1 %) - 49 |
| | 35 713 797 | 54 321 850 | 90 035 647 | 43 951 919 | (46 083 728) | |

Non-Current Liabilities

| | | | | | | |
|-----------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------|
| Employee benefit obligation | 6 047 607 | 1 150 000 | 7 197 607 | 5 789 000 | (1 408 607) | (20 %) 49 |
| Provisions | 20 548 245 | - | 20 548 245 | 23 236 484 | 2 688 239 | (13 %) - 49 |
| | 26 595 852 | 1 150 000 | 27 745 852 | 29 025 484 | 1 279 632 | |

Total Liabilities

| | | | | | |
|-------------------|-------------------|--------------------|-------------------|---------------------|--|
| 62 309 649 | 55 471 850 | 117 781 499 | 72 977 403 | (44 804 096) | |
|-------------------|-------------------|--------------------|-------------------|---------------------|--|

Net Assets

| | | | | | |
|----------------------|-------------------|----------------------|----------------------|---------------------|--|
| 1 783 994 648 | 34 065 829 | 1 818 060 477 | 1 753 935 170 | (64 125 307) | |
|----------------------|-------------------|----------------------|----------------------|---------------------|--|

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

| | | | | | | |
|---------------------|---------------|------------|---------------|---------------|--------------|--|
| Accumulated surplus | 1 783 994 648 | 34 065 829 | 1 818 060 477 | 1 753 935 171 | (64 125 306) | |
|---------------------|---------------|------------|---------------|---------------|--------------|--|

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 | Note reference |
|--|-----------------|-------------|--------------|------------------------------------|--|----------------|
|--|-----------------|-------------|--------------|------------------------------------|--|----------------|

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

| | | | | | | |
|----------------------------|--------------------|-------------------|--------------------|--------------------|--------------------|-------------|
| Property rates | 35 260 000 | - | 35 260 000 | 38 429 398 | 3 169 398 | (8 %) - 49 |
| Sale of goods and services | 11 628 000 | 1 000 | 11 629 000 | 6 821 030 | (4 807 970) | (34 %) - 49 |
| Grants | 401 891 000 | 11 574 000 | 413 465 000 | 410 368 064 | (3 096 936) | (00 %) - 49 |
| Interest income | 14 000 000 | 8 000 000 | 22 000 000 | 24 812 201 | 2 812 201 | (13 %) - 49 |
| | 462 779 000 | 19 575 000 | 482 354 000 | 480 430 693 | (1 923 307) | |

Payments

| | | | | | | |
|-----------------------------|----------------------|------------------|----------------------|----------------------|-------------------|--------------|
| Employee costs & suppliers | (393 365 000) | 216 186 000 | (177 179 000) | (171 344 394) | 5 834 606 | (2 %) - 49 |
| Suppliers | - | (193 555 000) | (193 555 000) | (178 081 782) | 15 473 218 | (9 %) - 49 |
| Remuneration of councillors | - | (23 222 000) | (23 222 000) | - | 23 222 000 | (100 %) - 49 |
| | (393 365 000) | (591 000) | (393 956 000) | (349 426 176) | 44 529 824 | |

| | | | | | | |
|---|-------------------|-------------------|-------------------|--------------------|-------------------|--|
| Net cash flows from operating activities | 69 414 000 | 18 984 000 | 88 398 000 | 131 004 517 | 42 606 517 | |
|---|-------------------|-------------------|-------------------|--------------------|-------------------|--|

Cash flows from investing activities

| | | | | | | |
|---|----------------------|--------------------|----------------------|---------------------|-------------------|-------------|
| Purchase of property, plant and equipment | (132 684 000) | - | (132 684 000) | (88 839 754) | 43 844 246 | (33 %) - 49 |
| Other cash item | - | (2 110 000) | (2 110 000) | - | 2 110 000 | (100%) - 49 |
| Net cash flows from investing activities | (132 684 000) | (2 110 000) | (134 794 000) | (88 839 754) | 45 954 246 | |

| | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|-------------------|--------------|
| Net increase/(decrease) in cash and cash equivalents | (63 270 000) | 16 874 000 | (46 396 000) | 42 164 763 | 88 560 763 | (191 %) - 49 |
| Cash and cash equivalents at the beginning of the year | 216 840 000 | - | 216 840 000 | 225 657 101 | 8 817 101 | (5 %) - 49 |
| Cash and cash equivalents at the end of the year | 153 570 000 | 16 874 000 | 170 444 000 | 267 821 864 | 97 377 864 | |

Reconciliation

The accounting policies on pages 14 to 43 and the notes on pages 44 to 99 form an integral part of the annual financial statements.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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.

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 14 - Provisions.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

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 and 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.

1.5 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.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Investment property (continued)

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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.6 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 |
|-------------------------------------|---------------------|---------------------|
| Land | Straight-line | Infinity years |
| Buildings | Straight-line | 30 years |
| Plant and machinery | Straight-line | 5 - 20 years |
| Furniture and fixtures | Straight-line | 7 - 10 years |
| Motor vehicles | Straight-line | 3 - 20 years |
| Office equipment | Straight-line | 3-5 years |
| IT equipment | Straight-line | 3-5 years |
| Infrastructure | Straight-line | 10-30 years |
| Community | Straight-line | 30 years |
| Other property, plant and equipment | Straight-line | 15 years |
| Bins and containers | Straight-line | 5 - 10 years |

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is 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.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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 32).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Recognition and derecognition of land

Legislation or similar means governs the ownership, custodianship and/or the use of land in the public sector. The following situations outlined in legislation or similar means, may have an impact on the recognition and derecognition of land:

- an entity may be required to act as the custodian of the land;
- an entity may be the legal owner of the land;
- an entity may be required to use the land or may be granted a right to use the land to meet its service delivery objectives; or
- restrictions may be imposed on an entity in relation to the transfer of the land.

This Interpretation addresses the following issues in relation to the recognition and derecognition of land:

- Should the legal owner of the land always recognise the land as its asset in the financial statements?
- How will a right granted to an entity in a binding arrangement, which enables it to direct access to the land, and to restrict and deny the access of others to the land, affect whether it recognises the land?
- Should the legal owner or the custodian of the land recognise the land as its asset?
- When should the land be derecognised from an entity's financial statements?
- How should the land be accounted for when there is joint control of land?

An entity should assess whether it controls land using the following criteria:

- legal ownership

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.8 Recognition and derecognition of land (continued)

- the right to direct access to land, and to restrict or deny the access of others to land.

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights and can be evidenced in several ways:

- a contract concluded between the parties;
- legislation, supporting regulations or similar means including, but not limited to laws, regulation, policies, decisions concluded by authorities such as cabinet, executive committees, boards, municipal councils and ministerial orders (referred to as legislation or similar means for purposes of this Interpretation);
or
- through the operation of law, including common law.

A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.

Where the entity concludes that it controls land, an asset is recognised in the statement of financial position in accordance with the applicable Standard of GRAP.

If the entity concludes that it does not have control over the land, land is derecognised as an asset from the statement of financial position in accordance with the applicable Standard of GRAP.

1.9 Financial instruments

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

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.

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.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.9 Financial instruments (continued)

A financial asset is:

- cash;
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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 that have fixed or determinable payments, excluding those instruments that:

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

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 |
|---------------------------------------|--|
| Receivable from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | 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 grant | Financial liability measured at amortised cost |

1.10 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.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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Significant Accounting Policies

1.10 Statutory receivables (continued)

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- 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.

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Significant Accounting Policies

1.10 Statutory receivables (continued)

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.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is a municipality that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is a municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, a municipality considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Significant Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Transfers and subsidies

Transfers and subsidies are monies paid by the municipality through contract for the development and assistance of small businesses i.e Spaza shops.

The expenditure is recognised on accrual basis upon receipt of the invoice. Transfers and subsidies are managed by the department of Planning and Development.

The nature of the expenditure qualifies as a subsidy (goods in-kind) to small business owners i.e Spaza shops.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.17 Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.17 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 entity 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 entity 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 entity recognises the expected cost of bonus, incentive and performance related payments when the entity 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.

Post-employment benefits: Defined contribution plans

The municipality provides certain post retirement health care benefits by funding the medical aid contribution of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current condition of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion medical membership fee.

Recent actuarial valuations were carried out at 30 June 2024 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, current costs and past service costs were measured using Project Unit Credit Method.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.17 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.18 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.18 Provisions and contingencies (continued)

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated; and
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.18 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 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.19 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.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.20 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).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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.

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.22 Revenue

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

Ingquza Hills Local Municipality

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Significant Accounting Policies

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.25 Accounting by principals and agents (continued)

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification in the financial statement is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require restatement of comparative information. The nature and reason for classification is disclosed.

When material accounting errors have been identified in the current year, the correction is made retrospectively as far as practically possible. Prior year comparative amounts affected are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practically possible and the affected prior year comparative amounts are restated accordingly.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised 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).

1.28 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).

All transactions relating to fruitless and wasteful expenditure are recognised as an expenditure in the statement of financial performance in the period it occurs. The expenditure is classified in accordance with the nature of the transaction and when recovered, it is subsequently accounted for as revenue in the statement of financial performance in the period which they are recovered.

1.29 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).

1.30 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.

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.30 Segment information (continued)

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.

1.31 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 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

In cases where there is variances between budgeted and actual amounts, the municipality provides explanation for all variances 15% or more.

1.32 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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Significant Accounting Policies

1.32 Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.34 Value Added Taxation

The municipality is registered with the South Africa Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15 (2) of the VAT Act No. 89 of 1991.

1.35 Unspent conditional grant

This represent funds unspent at the end of the financial reporting period on grants received from national and provincial government or any other external parties that can only be spent according to conditions stipulated in the memorandum of understanding. The amount is recognised as current liability until the conditions are met whereby it will be capitalised to the related projects or recorded as an expenditure and revenue realised as well. Failure to meet stipulated conditions at the end of each period will require the municipality to apply for a roll over or pay back the outstanding amount to the fund providers.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--|--|
| 2. New standards and interpretations | | |
| 2.1 Standards and interpretations issued, but not yet effective | | |
| The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods: | | |
| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
| • GRAP 2023 Improvements to the Standards of GRAP 2023 | Not effective | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | Not effective | Unlikely there will be a material impact |
| • GRAP 103 (as revised): Heritage Assets | Not effective | Unlikely there will be a material impact |
| • iGRAP 22 Foreign Currency Transactions and Advance Consideration | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| 3. Inventories | | |
| Consumable stores | - | 142 084 |
| 4. Statutory receivables | | |
| Gross balances | | |
| Property rates | 99 003 944 | 94 308 772 |
| Traffic fines | 6 458 980 | 5 185 230 |
| | 105 462 924 | 99 494 002 |
| Less: Allowance for impairment | | |
| Property rates | (91 536 561) | (81 673 821) |
| Traffic fines | (6 080 579) | (4 851 358) |
| | (97 617 140) | (86 525 179) |
| Net balance | | |
| Property rates | 7 467 383 | 12 634 951 |
| Traffic fines | 378 401 | 333 872 |
| | 7 845 784 | 12 968 823 |
| Property Rates | | |
| Current (0 -30 days) | 4 571 995 | 2 409 128 |
| 31 - 60 days | 1 970 269 | 1 177 964 |
| 61 - 90 days | 1 900 624 | 1 136 441 |
| 91 - 120 days | 1 856 707 | 1 126 190 |
| 121 - 365 days | 15 644 878 | 12 598 592 |
| > 365 days | 73 059 471 | 75 860 457 |
| Provision for impairment | (91 536 561) | (81 673 821) |
| | 7 467 383 | 12 634 951 |

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Annual Financial Statements for the year ended 30 June 2024

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| 4. Statutory receivables (continued) | | |
| Traffic fines | | |
| Current (0 -30 days) | 72 300 | 117 800 |
| 31 - 60 days | 98 400 | 127 100 |
| 61 - 90 days | 120 350 | 78 000 |
| 91 - 120 days | 69 200 | 50 700 |
| 121 - 365 days | 6 098 730 | 4 811 630 |
| Provision for Impairment | (6 080 579) | (4 851 358) |
| | 378 401 | 333 872 |
| Summary of statutory debtors by customer classification | | |
| Residential | | |
| Current (0 -30 days) | 1 098 387 | 561 065 |
| 31 - 60 days | 528 304 | 276 496 |
| 61 - 90 days | 519 365 | 271 137 |
| 91 - 120 days | 515 442 | 270 556 |
| 121 - 365 days | 3 941 276 | 4 190 631 |
| > 365 days | 25 839 211 | 21 872 841 |
| | 32 441 985 | 27 442 726 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 3 357 259 | 1 674 953 |
| 31 - 60 days | 1 383 013 | 897 341 |
| 61 - 90 days | 1 321 463 | 861 179 |
| 91 - 120 days | 1 279 960 | 851 509 |
| 121 - 365 days | 9 476 187 | 6 667 465 |
| > 365 days | 42 879 032 | 44 042 481 |
| | 59 696 914 | 54 994 928 |
| National and provincial government | | |
| Current (0 -30 days) | 86 406 | 94 520 |
| 31 - 60 days | 44 066 | 4 126 |
| 61 - 90 days | 44 966 | 4 126 |
| 91 - 120 days | 46 534 | 4 126 |
| 121 - 365 days | 2 047 556 | 1 662 397 |
| > 365 days | 3 501 240 | 9 183 246 |
| | 5 770 768 | 10 952 541 |
| Other | | |
| Current (0 -30 days) | 29 542 | 78 591 |
| 31 - 60 days | 14 886 | - |
| 61 - 90 days | 14 829 | - |
| 91 - 120 days | 14 772 | - |
| 121 - 365 days | 179 860 | 78 099 |
| > 365 days | 839 988 | 761 889 |
| | 1 093 877 | 918 579 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (86 525 179) | (75 138 663) |
| Contributions to allowance | (11 091 961) | (11 386 516) |
| | (97 617 140) | (86 525 179) |

Ingquza Hills Local Municipality

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4. Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are statutory receivables as defined by GRAP 108. Property rates arises from implementation of the requirements of Municipal Property Rates Act No. 6 of 2004.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable.

Determination of transaction amount

Traffic fines charges for each offence are prescribed in the AARTO Act, this is the amount recorded on the financial system as per the issues offence ticket.

Property rates values are determined by taking approved tariff rates and multiply it by the market values of properties within municipal jurisdiction as detailed in the general valuation roll. Council approved rebates and exemptions are further applied to reduce the receivable.

Interest or other charges levied/charged

No interest is charged on traffic fines.

Applicable interest rate is 10% in current financial year which is consistence to prior year.

Basis used to assess and test whether a statutory receivable is impaired

Statutory receivables are assessed for impairment annually using the collection rate method. This methods involves calculating average collection rate per customer which is determined by taking collection rate for current and prior periods and devide by number of periods being considered. The estimated default rate (impairment rate) is equal to 100% less average collection rate.

Additional factors considered for testing impairment of statutory receivables:

- Customers' accounts where a formal arrangement has been made and no payment has been made in current and comparative year.
- Customers who fail to comply with agreed arrangement during current and prior year.
- Customers' accounts handed over to debt collectors and /or power of attorney
- Customers' accounts with an unsettled balances as at the end of each financial reporting period.
- Customers' accounts indicated as inactive on the ledger.
- Customers accounts presented to chief finance officer for consideration to write-off.
- Indigent customers where accounts are outstanding for more than 30 days.

The impairment indicators were determined management using professional judgemental and experience obtained from the past practice and statistics in relation to municipal debt collection.

Discount rate applied to the estimated future cash flows

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| 4. Statutory receivables (continued) | | |
| The municipality applies a rate of 10% to all statutory receivables accounts balances older than 30 days. This rate is deemed to be the market value as it takes the effect of inflation and other economic factors into account. | | |
| For impairment calculations, there was no discounting of expected future costs performed because the receivables balance as per debtors age analysis represents the present value of expected future cash inflows. The receivables age analysis has already factored in the effect of time value of money. | | |
| 5. VAT receivable | | |
| VAT | 1 872 705 | 5 638 382 |
| The municipality is category B as per VAT registration with SARS and submits VAT201 returns on a monthly basis. The amount disclosed above includes VAT input accrual account, VAT output accrual account and VAT control account as per VAT201 and SARS' statement of account. | | |
| VAT Accounts reconciliations: | | |
| VAT input accrual account receivable | 1 147 237 | 1 178 045 |
| VAT output account payable | (1 495 027) | (1 479 298) |
| VAT control account receivable | 2 220 495 | 5 939 635 |
| | 1 872 705 | 5 638 382 |
| 6. Receivables from exchange transactions | | |
| Gross balances | | |
| Refuse | 13 149 030 | 12 126 734 |
| Rental debtors | 182 434 | 123 566 |
| Sundry debtors | 20 957 | 132 099 |
| | 13 352 421 | 12 382 399 |
| Less: Allowance for impairment | | |
| Refuse | (12 027 721) | (11 223 363) |
| Net balance | | |
| Refuse | 1 121 309 | 903 371 |
| Property rentals | 182 434 | 123 566 |
| Sundry debtors | 20 957 | 132 099 |
| | 1 324 700 | 1 159 036 |
| Refuse | | |
| Current (0 -30 days) | 403 901 | 206 907 |
| 31 - 60 days | 192 654 | 119 850 |
| 61 - 90 days | 189 533 | 115 931 |
| 91 - 120 days | 187 128 | 113 964 |
| 121 - 365 days | 1 442 395 | 877 284 |
| >365 days | 10 733 419 | 10 692 798 |
| Provision for impairment | (12 027 721) | (11 223 363) |
| | 1 121 309 | 903 371 |

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Annual Financial Statements for the year ended 30 June 2024

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| 6. Receivables from exchange transactions (continued) | | |
| Property rental | | |
| Current (0 -30 days) | 12 952 | - |
| 31 - 60 days | (166) | 34 416 |
| 61 - 90 days | 7 534 | - |
| 91 - 120 days | (16 645) | - |
| 121 - 365 days | 55 194 | - |
| > 365 days | 123 565 | 89 150 |
| | 182 434 | 123 566 |
| Sundry debtors (Cash in transit) | | |
| Current (0 -30 days) | 19 710 | - |
| 31 - 60 days | 18 058 | - |
| 61 - 90 days | (79 545) | - |
| 91 - 120 days | 18 754 | - |
| 121 - 365 days | 2 066 | - |
| > 365 days | 41 914 | 132 099 |
| | 20 957 | 132 099 |

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| 6. Receivables from exchange transactions (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 206 634 | 102 294 |
| 31 - 60 days | 102 070 | 54 875 |
| 61 - 90 days | 101 201 | 54 471 |
| 91 - 120 days | 100 163 | 54 182 |
| 121 - 365 days | 785 943 | 425 520 |
| > 365 days | 6 551 355 | 6 207 730 |
| | 7 847 366 | 6 899 072 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 151 573 | 84 155 |
| 31 - 60 days | 68 709 | 51 213 |
| 61 - 90 days | 66 533 | 47 746 |
| 91 - 120 days | 65 715 | 46 431 |
| 121 - 365 days | 498 160 | 359 636 |
| > 365 days | 3 413 178 | 3 741 804 |
| | 4 263 868 | 4 330 985 |
| National and provincial government | | |
| Current (0 -30 days) | 37 588 | 16 519 |
| 31 - 60 days | 18 044 | 11 412 |
| 61 - 90 days | 17 983 | 11 364 |
| 91 - 120 days | 17 450 | 11 001 |
| 121 - 365 days | 128 483 | 74 016 |
| > 365 days | 561 171 | 559 872 |
| | 780 719 | 684 184 |
| Other | | |
| Current (0 -30 days) | 8 106 | 3 939 |
| 31 - 60 days | 3 831 | 2 350 |
| 61 - 90 days | 3 816 | 2 350 |
| 91 - 120 days | 3 800 | 2 350 |
| 121 - 365 days | 29 810 | 18 112 |
| > 365 days | 207 716 | 183 393 |
| | 257 079 | 212 494 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (11 223 363) | (10 176 521) |
| Contributions to allowance | (804 358) | (1 046 842) |
| | (12 027 721) | (11 223 363) |
| Consumer debtors pledged as security | | |
| None of the receivables from exchange transactions has been pledged as security in current and prior year. | | |
| None of the customer accounts has passed due and terms have been renegotiated. | | |
| The carrying amount of consumer debtors are denominated in the following currencies: | | |
| Rand | 1 324 700 | 1 159 036 |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---------------------------------------|--------------------|--------------------|
| 7. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Bank balances | 150 186 933 | 68 231 609 |
| Short-term deposits | 117 634 935 | 157 425 492 |
| | 267 821 868 | 225 657 101 |

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents was pledged as collateral security in current and prior year.

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | Cash book balances | |
|--|-------------------------|--------------------|--------------------|--------------------|
| | 30 June 2024 | 30 June 2023 | 30 June 2024 | 30 June 2023 |
| First National Bank - Primary account - 622-417-5712 | 150 188 204 | 68 231 608 | 150 186 933 | 68 231 609 |
| First National Bank - Call Account - 622-198-77836 | 256 548 | 242 040 | 256 548 | 242 040 |
| First National Bank - Call Account - 742-336-993-10 | - | 47 902 682 | - | 47 902 682 |
| First National Bank - Call Account - 622-314-74537 | 4 917 920 | 4 578 646 | 4 917 920 | 4 578 646 |
| First National Bank - Call Account - 622-314-73761 | 69 115 932 | 64 347 816 | 69 115 932 | 64 347 816 |
| First National Bank - Call Account - 627-927-58503 | 37 409 345 | 34 828 571 | 37 409 345 | 34 828 571 |
| First National Bank - Call Account - 630-289-49254 | 1 337 354 | 1 245 093 | 1 337 354 | 1 245 093 |
| First National Bank - Call Account - 630-289-48214 | 816 466 | 760 140 | 816 466 | 760 140 |
| First National Bank - Call Account - 630-289-455-25 | 2 275 968 | 2 118 955 | 2 275 968 | 2 118 955 |
| First National Bank - Call Account - 630-289-465-99 | 1 263 179 | 1 176 036 | 1 263 179 | 1 176 036 |
| First National Bank - Call Account - 630-289-444-86 | 242 223 | 225 512 | 242 223 | 225 513 |
| Total | 267 823 139 | 225 657 099 | 267 821 868 | 225 657 101 |

Reconciling items:

| | | |
|---|-------------|---|
| Bank statement amount as at 30 June 2024 | 150 188 204 | - |
| Less receipts on the bank statement, not on the cash book | (1 317) | - |
| Timing differences | | - |
| Reconciled amount | 150 186 887 | - |
| Cashbook amount as at 30 June 2024 | 150 186 931 | - |
| Immaterial variance | 43.98 | |

Restricted cash balances:

None of the cash balances is restricted in current or prior year.

Ingquza Hills Local Municipality

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 30 June 2024

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8. Investment property

| | 2024 | | 2023 | |
|---------------------|-------------|-------------|----------------|----------------|
| | Valuation | Revaluation | Carrying value | Valuation |
| Investment property | 769 966 526 | - | 769 966 526 | 750 955 543 |
| | | | | Revaluation |
| | | | | - |
| | | | | Carrying value |
| | | | | 750 955 543 |

Reconciliation of investment property - 2024

| | Opening balance | Fair value adjustments | Total |
|---------------------|-----------------|------------------------|-------------|
| Investment property | 750 955 543 | 19 010 983 | 769 966 526 |

Reconciliation of investment property - 2023

| | Opening balance | Correction of error | Fair value adjustments | Total |
|---------------------|-----------------|---------------------|------------------------|-------------|
| Investment property | 518 146 500 | 188 090 733 | 44 718 310 | 750 955 543 |

Pledged as security

None of the investment property has been pledged as collateral security in current and prior year.

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.

Valuation of investment property was performed by LNN Property Pundlits instructed by IMQS Software (Pty) Ltd .

This determination of the market value has been undertaken in accordance with International Valuations Standards. Market Approach using the Direct Comparable Sales Method was used to determine the market value of the subject property.

The purpose of this valuation report is to determine the market land value of the subject properties as of the date of valuation. Valuation was performed on the 1 July 2024.

Ingquza Hills Local Municipality

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|-----------------|------|------|
|-----------------|------|------|

8. Investment property (continued)

Basis for valuation:

The valuation was based on market value as defined in the RICS Red Book and IVS. The estimated amount for each asset or liability is the amount to be exchanged on the valuation date between willing buyer and willing seller in arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Special assumptions:

It was assumed that all third-party information is correct and reserve all rights to review this valuation should the need arise.

We have not undertaken any structural survey of the buildings nor arranged for inspections to be carried out on the service installations. The valuation has been prepared on the basis that the property is in a satisfactory state of repair.

We have checked the deeds search (Aktex/Windeed) but have not inspected the title deeds of the property and assume that no onerous conditions or servitudes are affecting the property other than those mentioned within this report.

Amounts recognised in surplus or deficit

| | | |
|---|---------|---------|
| Rental revenue from Investment property | 906 612 | 894 163 |
|---|---------|---------|

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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9. Property, plant and equipment

| | 2024 | | | 2023 | | |
|-------------------------------|---------------|---|----------------|---------------|---|----------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 56 258 000 | - | 56 258 000 | 56 258 000 | - | 56 258 000 |
| Buildings | 111 068 813 | (27 376 790) | 83 692 023 | 108 392 868 | (23 005 489) | 85 387 379 |
| Plant and machinery | 69 936 102 | (31 832 662) | 38 103 440 | 52 312 675 | (26 104 648) | 26 208 027 |
| Furniture and fixtures | 12 219 212 | (6 219 470) | 5 999 742 | 9 846 816 | (5 159 250) | 4 687 566 |
| Motor vehicles | 6 449 342 | (5 063 670) | 1 385 672 | 8 763 263 | (6 237 763) | 2 525 500 |
| IT equipment | 9 358 051 | (5 001 342) | 4 356 709 | 6 627 936 | (3 797 258) | 2 830 678 |
| Infrastructure | 889 376 602 | (492 066 188) | 397 310 414 | 821 204 511 | (450 915 048) | 370 289 463 |
| Community | 87 908 068 | (26 473 116) | 61 434 952 | 86 501 528 | (23 127 576) | 63 373 952 |
| Construction work in progress | 129 540 038 | - | 129 540 038 | 127 549 410 | - | 127 549 410 |
| Total | 1 372 114 228 | (594 033 238) | 778 080 990 | 1 277 457 007 | (538 347 032) | 739 109 975 |

Ingquza Hills Local Municipality
Annual Financial Statements for the year ended 30 June 2024

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|-------------------------------|--------------------|-------------------|------------------|--------------|---------------------|--------------------|
| Land | 56 258 000 | - | - | - | - | 56 258 000 |
| Buildings | 85 387 379 | - | - | 2 675 946 | (4 371 302) | 83 692 023 |
| Plant and machinery | 26 208 027 | 17 702 529 | - | - | (5 807 116) | 38 103 440 |
| Furniture and fixtures | 4 687 566 | 2 252 681 | - | - | (940 505) | 5 999 742 |
| Motor vehicles | 2 525 500 | - | (229 629) | - | (910 199) | 1 385 672 |
| IT equipment | 2 830 678 | 2 483 151 | - | - | (957 120) | 4 356 709 |
| Infrastructure | 370 289 463 | - | - | 60 032 490 | (33 011 539) | 397 310 414 |
| Community | 63 373 952 | - | - | 1 702 330 | (3 641 330) | 61 434 952 |
| Construction work in progress | 127 549 410 | 66 401 393 | - | (64 410 765) | - | 129 540 038 |
| | 739 109 975 | 88 839 754 | (229 629) | 1 | (49 639 111) | 778 080 990 |

Ingquza Hills Local Municipality Annual Financial Statements for the year ended 30 June 2024 **Notes to the Annual Financial Statements**

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9. Property, plant and equipment (continued) **Reconciliation of property, plant and equipment - 2023**

| | Opening balance | Additions | Transfers | Depreciation | Total |
|-------------------------------|--------------------|-------------------|--------------|---------------------|--------------------|
| Land | 56 258 000 | - | - | - | 56 258 000 |
| Buildings | 89 723 094 | - | - | (4 335 715) | 85 387 379 |
| Plant and machinery | 28 805 063 | 2 517 641 | - | (5 114 677) | 26 208 027 |
| Furniture and fixtures | 4 861 248 | 645 000 | - | (818 682) | 4 687 566 |
| Motor vehicles | 3 954 509 | - | - | (1 429 009) | 2 525 500 |
| IT equipment | 3 283 282 | 462 825 | - | (915 429) | 2 830 678 |
| Infrastructure | 384 489 526 | 5 685 830 | 12 742 017 | (32 627 910) | 370 289 463 |
| Community | 64 844 833 | - | 2 103 131 | (3 574 012) | 63 373 952 |
| Construction work in progress | 65 287 296 | 77 107 262 | (14 845 148) | - | 127 549 410 |
| | 701 506 851 | 86 418 558 | - | (48 815 434) | 739 109 975 |

Pledged as security

None of the property plant and equipment was pledged as security in current and prior year.:

Reconciliation of Work-in-Progress 2024

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|--------------------------------|---------------------------|---------------------------|--------------------|
| Opening balance | 40 585 137 | 71 761 030 | 15 203 241 | 127 549 408 |
| Additions/capital expenditure | 52 270 138 | 11 035 443 | 3 095 812 | 66 401 393 |
| Transferred to completed items | (60 032 490) | (1 702 330) | (2 675 945) | (64 410 765) |
| | 32 822 785 | 81 094 143 | 15 623 108 | 129 540 036 |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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|-----------------|------|------|
|-----------------|------|------|

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|-----------------------------------|------------------------------|------------------------------|--------------------|
| Opening balance | 8 208 349 | 47 108 376 | 11 753 794 | 67 070 519 |
| Additions/capital expenditure | 57 908 921 | 27 648 419 | 3 449 447 | 89 006 787 |
| Transferred to Expenditure | (11 899 526) | (2 104 466) | - | (14 003 992) |
| Transferred to completed items | (13 632 607) | (891 299) | - | (14 523 906) |
| | 40 585 137 | 71 761 030 | 15 203 241 | 127 549 408 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | |
|---------------------|------------|------------|
| Contracted services | 18 747 274 | 22 602 911 |
|---------------------|------------|------------|

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected:

| | | |
|--|-------------------|-------------------|
| Taxi rank | | |
| The project is depending on the funding to be sourced from OTP. | 3 799 922 | 3 799 922 |
| Consultants for Lusikisiki Offices | | |
| The project is linked with construction of municipal offices in Lusikisiki | 14 712 598 | 14 292 730 |
| Lusikisiki Town Hall (Phase 2) | | |
| | 7 907 958 | 6 057 074 |
| Ward 26 Sports field | | |
| The construction of sport field project delayed due community protest. | 24 151 990 | 20 946 518 |
| Flagstaff Town Hall (Phase 2) | | |
| Source 1 | 8 712 924 | 5 056 456 |
| Ward 2 Sport Field | 21 841 535 | 24 164 137 |
| Ward 3 Sport Field | 12 357 212 | 12 357 212 |
| Construction of Ngobozane Bridge | 527 192 | 527 192 |
| Construction Mbotyi to Nyambalala | 163 464 | 163 464 |
| | 94 174 795 | 87 364 705 |

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. Fair value adjustments

| | | |
|--|------------|------------|
| Investment property (Fair value model) | 19 010 983 | 44 718 309 |
|--|------------|------------|

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 11. Employee benefit obligations | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Carrying value | | |
| Present value of the defined benefit obligation-wholly unfunded | (6 425 000) | (5 790 000) |
| Non-current liabilities | (5 789 000) | (5 105 000) |
| Current liabilities | (636 000) | (685 000) |
| | (6 425 000) | (5 790 000) |

There are no assets set aside by the municipality to cover for the liabilities. The liabilities due are budgeted for through the three year MTREF budget.

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|---------------------------|--------------------|--------------------|
| Opening balance | (5 790 000) | (5 903 960) |
| Service cost | (747 000) | (797 040) |
| Interest cost | (626 000) | (574 000) |
| Expected benefits vesting | 685 000 | 1 126 000 |
| Actuarial gains | 53 000 | 359 000 |
| | (6 425 000) | (5 790 000) |

Net expense recognised in the statement of financial performance are as follows:

| | | |
|--------------------------|----------------|------------------|
| Current service costs | 747 000 | 797 000 |
| Expected benefit vesting | (685 000) | (1 126 000) |
| Finance charges | 626 000 | 574 000 |
| Actuarial gains | (53 000) | (359 000) |
| | 635 000 | (114 000) |

Calculation of actuarial gains and losses

| | | |
|------------------------------|----------|-----------|
| Actuarial gains – Obligation | (53 000) | (359 000) |
|------------------------------|----------|-----------|

Ingquza Hills Local Municipality

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2023

11. Employee benefit obligations (continued)

The characteristics of the plan and associated risks

The municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

Long service awards for levels of past service:

| Description | Completed services (In years) | Long Service Award (% of Annual Earnings) |
|--|----------------------------------|--|
| $(5 / 250 + 2\%) \times \text{annual earnings}$ | 5 | 4.0% |
| $(10 / 250 + 3\%) \times \text{annual earnings}$ | 10 | 7.0% |
| $(15 / 250 + 4\%) \times \text{annual earnings}$ | 15 | 10.0% |
| $(15 / 250 + 5\%) \times \text{annual earnings}$ | 20 | 11.0% |
| $(15 / 250 + 6\%) \times \text{annual earnings}$ | 25, 30, 35, 40, 45 | 12.0% |

In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day.

The municipality indicated that employees' basic salaries, referred to as "earnings" in this report, are used to determine the Rand value of LSA.

The Municipality does not pay any pro-rata LSA.

Notable benefit plan risks faced by the municipality can be summarised as follows:

- **Inflation:** The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.
- **Termination of service:** The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.
- **Volatility of open-ended, long-term DBO:** The risk that the DBO may be volatile which is exacerbated by its long-term nature.
- **Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.
- **Future changes in legislation:** The risk that changes to legislation with respect to long service awards may increase the DBO for the Municipality.

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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|-----------------|------|------|
|-----------------|------|------|

11. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---------------------------------------|---------|---------|
| Discount rates used | 11.05 % | 11.47 % |
| General earning inflation (inflation) | 6.20 % | 6.83 % |
| Net effective discount rate | 4.56 % | 4.34 % |

The earnings used in the evaluation include an increase on the 1 July 2024 of 5.40% as per the SALGBC circular No.: 01/2013.

The average retirement age for both genders is expected to be 62 years.

Mortality rate during employment: SA85-90.

Termination rates:

| Age | Rate | Age | Rate |
|---------|------|---------|------|
| 20 - 24 | 9% | 40 - 44 | 5% |
| 25 - 29 | 8% | 45 - 49 | 4% |
| 30 - 34 | 6% | 50 - 54 | 3% |
| 35 - 39 | 5% | 50+ | 0% |

Assumption

| | | | |
|---|-----|----------|------|
| Assumption | | 62 | |
| Average retirement age | | SA 85-90 | |
| Mortality during employment | Age | Female | Male |
| Termination of service (resignation and retrenchment rates per annum) | 20 | 9% | 9% |
| Termination of service (resignation and retrenchment rates per annum) | 30 | 6% | 6% |
| Termination of service (resignation and retrenchment rates per annum) | 40 | 5% | 5% |
| Termination of service (resignation and retrenchment rates per annum) | 50 | 3% | 3% |
| Termination of service (resignation and retrenchment rates per annum) | 55 | 0% | 0% |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

11. Employee benefit obligations (continued)

Sensitivity analysis

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

The results presented in here are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed service termination rates.

The DBO at this valuation was re-calculated to show the effect of:

- A one percentage point increase and decrease in the assumed general earnings inflation rate;
- A one percentage point increase and decrease in the assumed discount rate;
- A two-year increase and decrease in the assumed average retirement age of eligible employees; and
- A two-fold increase and a 50% decrease in the assumed rates of termination of service.

Sensitivity analysis on the DBO:

| Assumption | Change | DBO | % Change |
|---------------------------------|--------|-----------|----------|
| Central assumptions | | 6 425 000 | - % |
| General earnings inflation rate | +1% | 6 777 000 | 5.00 % |
| General earnings inflation rate | -1% | 6 102 000 | (5.00)% |

Ingquza Hills Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | | 2024 | 2023 |
|---|---------|-----------|----------|
| 11. Employee benefit obligations (continued) | | | |
| Discount rate | +1% | 6 090 000 | (5.00)% |
| Discount rate | -1% | 6 796 000 | 6.00 % |
| Average retirement age | + 2 yrs | 6 900 000 | 7.00 % |
| Average retirement age | - 2yrs | 5 765 000 | (10.00)% |
| Rates of termination of service | x2 | 5 219 000 | (19.00)% |
| Rates of termination of service | x0.5 | 7 219 000 | 12.00 % |

Sensitivity analysis on current service and interest costs for year ending 30/06/2024

| Assumption | Change | Current Svc. Cost | Interest cost | Total | % Change |
|---------------------------------|---------|-------------------|---------------|-----------|----------|
| Central assumptions | | 747 000 | 626 000 | 1 373 000 | - % |
| General earnings inflation rate | +1% | 797 000 | 664 000 | 1 461 000 | 6.00 % |
| General earnings inflation rate | -1% | 701 000 | 591 000 | 1 292 000 | (6.00)% |
| Discount rate | +1 % | 707 000 | 641 000 | 1 348 000 | (2.00)% |
| Discount rate | -1% | 792 000 | 608 000 | 1 400 000 | 2.00 % |
| Average retirement age | + 2 yrs | 785 000 | 673 000 | 1 458 000 | 6.00 % |
| Average retirement age | -2 yrs | 691 000 | 562 000 | 1 253 000 | (9.00)% |
| Rates of termination of service | x2 | 562 000 | 494 000 | 1 056 000 | (23.00)% |
| Rates of termination of service | x0.5 | 875 000 | 714 000 | 1 589 000 | 16.00 % |

12. Payables from exchange transactions

| | | |
|---|-------------------|-------------------|
| Trade payables | 2 512 352 | 1 515 424 |
| Payments received in advanced - contract in process | 850 125 | 854 558 |
| Trade creditor - accruals | 1 607 543 | - |
| Retention liability | 10 674 689 | 12 005 446 |
| Accrued leave pay | 12 956 960 | 11 747 743 |
| Accrued bonus | 2 885 502 | 2 708 711 |
| Unallocated deposits | 26 045 | 21 249 |
| Overtime accrual | 1 120 030 | 1 007 719 |
| Salary control account | 226 017 | - |
| | 32 859 263 | 29 860 850 |

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|------------------|------------------|
| Integrated National Electrification Programme Grant | 2 500 000 | - |
| Municipal Disaster Recovery Grant | 4 806 036 | 5 100 382 |
| | 7 306 036 | 5 100 382 |

Movement during the year

| | | |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 5 100 382 | 10 413 223 |
| Additions during the year | 81 133 064 | 77 367 983 |
| Income recognition during the year | (78 927 410) | (82 680 824) |
| | 7 306 036 | 5 100 382 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Ingquza Hills Local Municipality

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|-----------------|------|------|

13. Unspent conditional grants and receipts (continued)

See note 25 for reconciliation of grants from National/Provincial Government.

Ingquza Hills Local Municipality

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|-----------------|------|------|
|-----------------|------|------|

14. Provisions

Reconciliation of provisions - 2024

| | Opening Balance | Change in quotation and assumptions | Change in site lives | Finance costs | Change in discount factor | Total |
|------------------------------|-----------------|-------------------------------------|----------------------|---------------|---------------------------|------------|
| Environmental rehabilitation | 23 964 462 | 1 024 635 | 3 474 606 | 3 024 315 | (5 100 914) | 26 387 104 |

Reconciliation of provisions - 2023

| | Opening Balance | Change in quotation and assumptions | Change in Site lives | Finance costs | Change in discount factor | Total |
|------------------------------|-----------------|-------------------------------------|----------------------|---------------|---------------------------|-------------------|
| Environmental rehabilitation | 21 923 878 | 1 085 574 | 3 337 034 | 2 422 587 | (4 804 611) | 23 964 462 |
| Non-current liabilities | | | | | 23 236 484 | 20 940 147 |
| Current liabilities | | | | | 3 150 620 | 3 024 315 |
| | | | | | 26 387 104 | 23 964 462 |

Environmental rehabilitation provision

The municipality have two landfill site within its jurisdiction, Flagstaff landfill site and Lusikisiki landfill site which are used for waste disposal. There is a legal obligation to close the landfill sites and restore the land to its original status after the agreed licnsed period. The provision is made on the expceted rehabilitation and closure costs to be incurred by the municipality.

Summary of rehabilitation and closure costs

| | | |
|------------|-------------------|-------------------|
| Flagstaff | 9 394 060 | 8 778 944 |
| Lusikisiki | 16 993 044 | 15 185 518 |
| | 26 387 104 | 23 964 462 |

Flagstaff landfill site is located approximately 2km south of the municipality offices in Flagstaff, a town in the Eastern Cape Province located some 80km south-east of Kokstad and 45km north of Lusikisiki. The landfill site is situated on a gentle sloping ground and takes access off an unnamed gravel road that branches off the R61 road. The site coordinates are 31°05'39.87" S and 29°29'21.48" E. Figure 2 shows the location of Flagstaff Landfill site.

The footprint size of the entire landfill site measures approximately 18,862m2 and the utilised area is estimated at 19,089m2. The cell proposed cell developed for rehabilitation is estimated at 10,021m2.

The Lusikisiki landfill site is located approximately 5km North of the municipality offices in Lusikisiki town, 45km inland from and North of Port St Johns. The site is accessed from an unpaved road which branches of R61 highway, and the coordinates are 31°20'42.85" S and 29°33'57.02" E.

The footprint size of the entire landfill site measures approximately 48,094m2 and the utilised area estimated at 36,055m2. The cell proposed cell developed for the rehabilitation is estimated at 27,629m2.

License Status and Legal Compliance

Lusikisiki landfill site is not licensed for operations in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). The landfill permit HO/A/10/LO33/14 was issued by the Department of Economic Development, Environmental Affairs and Tourism (Eastern Cape Province) on the 17th of July in 2014 and expired in 2018.

The Flagstaff landfill is licensed for operations in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). The landfill permit HO/A/10/LO34/14 was issued by the Department of Economic Development, Environmental Affairs and Tourism (Eastern Cape Province) on the 3rd of March in 2015 and was classified as Class B/G:C:

Key financial assumptions used

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| Figures in Rand | 2024 | 2023 |
|--|------------------|------------------|
| 14. Provisions (continued) | | |
| Discount Rate (D) | 11.94 % | 12.62 % |
| Consumer price inflation (C) | 6.51 % | - % |
| Net discount rate (D + C) | 18.45 % | 12.62 % |
| 15. Service charges | | |
| Solid waste | 1 095 820 | 1 351 306 |
| 16. Rendering of services | | |
| Advertising rental income | 144 649 | 135 711 |
| Land use and building plans | 108 910 | 156 810 |
| Cemetries and burial fees | 23 714 | 32 931 |
| | 277 273 | 325 452 |
| 17. Rental of facilities and equipment | | |
| Premises | | |
| Investment Property rentals | 965 480 | 894 163 |
| 18. Interest on outstanding debtors | | |
| Interest - refuse removal | 896 223 | 81 541 |
| 19. Agency services | | |
| Driver's Licenses | 1 698 315 | 1 222 848 |
| Vehicle Registration | 2 550 096 | 2 809 304 |
| | 4 248 411 | 4 032 152 |
| <p>The municipality has a binding arrangement with Department of Transport which requires the municipality to assist the department with motor licensing as well as vehicle registration services.</p> <p>The municipality has duties collect motor licensing fees and vehicle registration fees on behalf of the department.</p> <p>All collections are submitted to the department and a commission is paid to the municipality.</p> <p>There is no risk an rewards transferred from the principal to the agent.</p> | | |
| 20. Licences and permits | | |
| Trading | 87 647 | 41 582 |
| 21. Other income | | |
| Handling fees | 62 282 | 63 055 |
| Staff and Councillors Recoveries | 74 437 | 70 611 |
| | 136 719 | 133 666 |

Ingquza Hills Local Municipality

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|-----------------|------|------|

22. Investment revenue

Interest revenue

| | | |
|------|------------|------------|
| Bank | 24 812 201 | 15 421 705 |
|------|------------|------------|

23. Property rates

Rates received

| | | |
|--------------------------|-------------------|-------------------|
| Residential | 12 732 210 | 14 762 509 |
| Commercial | 18 387 418 | 16 155 007 |
| Small holdings and farms | 102 842 | 71 591 |
| | 31 222 470 | 30 989 107 |

Valuations

| | | |
|---------------------------|----------------------|----------------------|
| Residential | 307 410 700 | 304 655 700 |
| Commercial | 1 348 577 600 | 1 140 487 600 |
| State | 939 371 200 | 918 077 200 |
| Municipal | 647 744 303 | 647 744 303 |
| Small holdings and farms | 24 756 000 | 24 756 000 |
| Public Service Properties | 203 300 | 203 300 |
| | 3 268 063 103 | 3 035 924 103 |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2024.

24. Interest, dividends and Rent on Land

| | | |
|---|-----------|---------|
| Interest income - statutory receivables | 8 309 752 | 742 151 |
|---|-----------|---------|

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|-----------------|------|------|

25. Government grants & subsidies

Operating grants

| | | |
|---|--------------------|--------------------|
| Equitable share | 329 235 000 | 310 567 223 |
| Expanded Public Works Program Grant | 1 384 000 | 1 616 000 |
| Local Government Financial Management Grant | 1 700 000 | 1 650 000 |
| Library Grant | 800 000 | 800 000 |
| LG Seta Grant | 803 064 | 2 081 800 |
| Municipal Disaster Response Grant | 11 106 346 | 3 167 618 |
| | 345 028 410 | 319 882 641 |

Capital grants

| | | |
|---|--------------------|--------------------|
| Municipal Infrastructure Grant | 60 516 000 | 63 247 905 |
| Integrated National Electrification Programme Grant | 2 618 000 | 6 585 000 |
| Small town revitalisation Grant | - | 3 532 501 |
| | 63 134 000 | 73 365 406 |
| | 408 162 410 | 393 248 047 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|---|--------------------|--------------------|
| Conditional grants recieved in prior year (Opening balance) | 5 100 382 | 10 413 223 |
| Conditional grants received (current) | 81 133 064 | 77 367 983 |
| Unconditional grants received (current) | 329 235 000 | 310 567 223 |
| | 415 468 446 | 398 348 429 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

| | | |
|--|--------------|--------------|
| Balance unspent at beginning of year | - | 10 295 486 |
| Current-year receipts | 60 516 000 | 63 247 904 |
| Conditions met - transferred to revenue | (60 516 000) | (63 247 905) |
| Returned to treasury (rollover not approved) | - | (10 295 485) |
| | - | - |

This grant is allocated to fund municipal capital projects which enhances services delivery to the community. Capital projects includes construction of infrastructure assets and community assets.

Small Town Revitalisation Grant

| | | |
|---|----------|-------------|
| Current-year receipts | - | 3 532 501 |
| Conditions met - transferred to revenue | - | (3 532 501) |
| | - | - |

This grant is allocated to the municipality by the Office of the Premier fund revitalization project.

Ingquza Hills Local Municipality

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|---|------------------|------------------|
| 25. Government grants & subsidies (continued) | | |
| Integrated National Electrification Program Grant | | |
| Balance unspent at beginning of year | - | 21 000 |
| Current-year receipts | 5 118 000 | 6 564 000 |
| Conditions met - transferred to revenue | (2 618 000) | (6 585 000) |
| | 2 500 000 | - |
| Conditions still to be met - remain liabilities (see note 13). | | |
| This grant is allocated to fund electrification projects for all existing and planned residential dwellings (including informal settlements,new and existing dwellings) and installation of relevant bulk infrastructure. | | |
| Local Government Financial Management Grant | | |
| Balance unspent at beginning of year | - | 96 737 |
| Current-year receipts | 1 700 000 | 1 650 000 |
| Conditions met - transferred to revenue | (1 700 000) | (1 650 000) |
| Returned to treasury (rollover not approved) | - | (96 737) |
| | - | - |
| This is grant is allocated to fund the implementation of Financial management reforms as per the MFMA requirements. | | |
| Municipal Disaster Respond Grant | | |
| Balance unspent at beginning of year | 5 100 382 | - |
| Current-year receipts | 10 812 000 | 8 268 000 |
| Conditions met - transferred to revenue | (11 106 346) | (3 167 618) |
| | 4 806 036 | 5 100 382 |
| Conditions still to be met - remain liabilities (see note 13). | | |
| The grant is used to help in flood intervention measures. | | |
| Extended Public Works Program Grant | | |
| Current-year receipts | 1 384 000 | 1 616 000 |
| Conditions met - transferred to revenue | (1 384 000) | (1 616 000) |
| | - | - |
| The grant is allocated to promote job creation. | | |
| Municipal Library Grant | | |
| Current-year receipts | 800 000 | 800 000 |
| Conditions met - transferred to revenue | (800 000) | (800 000) |
| | - | - |
| This grant is allocated by DSRAC to the municipality for Library services and its a provincial grant. | | |
| LG SETA Grant | | |
| Current-year receipts | 803 064 | 2 081 800 |
| Conditions met - transferred to revenue | (803 064) | (2 081 800) |
| | - | - |

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|--|------------------|------------------|
| 25. Government grants & subsidies (continued) | | |
| The LGSETA grant is allocated to address the national priorities as set out in the National Skills Development Plan (NSDP 2030). | | |
| 26. Fines, Penalties and Forfeits | | |
| Pound Fees Fines | 8 594 | 25 304 |
| Court Traffic Fines | 1 318 850 | 1 425 000 |
| | 1 327 444 | 1 450 304 |

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| 27. Employee related costs | | |
| Basic | 87 075 534 | 89 034 018 |
| Bonus | 6 669 129 | 6 349 900 |
| Medical aid - company contributions | 8 483 212 | 8 067 108 |
| UIF | 703 914 | 726 084 |
| Leave pay provision charge | 1 754 853 | 2 654 960 |
| Social Contributions: Pension | 12 446 482 | 12 301 109 |
| Overtime payments | 14 172 052 | 14 000 542 |
| Long-service awards | 357 534 | 554 160 |
| Acting allowances | 1 387 026 | 300 004 |
| Car allowance | 9 673 811 | 11 073 561 |
| Housing benefits and allowances | 5 034 059 | 4 607 394 |
| Cell phone & telephone allowance | 772 822 | 598 616 |
| Uniform & protective clothing | 56 000 | 48 000 |
| Bargaining Council | 43 859 | 43 060 |
| | 148 630 287 | 150 358 516 |

Remuneration of municipal manager: VC Makedama

| | | |
|----------------------------|------------------|----------------|
| Annual Remuneration | 700 658 | 613 529 |
| Car Allowance | 375 496 | 93 874 |
| Subsistence and Travelling | 59 354 | 9 537 |
| UIF, Medical aid & SDL | 67 481 | - |
| Cellphone Allowance | 112 774 | 23 468 |
| Housing | 130 564 | - |
| Back pay | 63 717 | 116 401 |
| Other allowances | - | 46 051 |
| | 1 510 044 | 902 860 |

Municipal Manager was appointed on the 1st of November 2022.

Remuneration of municipal manager: M Pinyana

| | | |
|----------------------------|----------|----------------|
| Annual Remuneration | - | 126 270 |
| Subsistence and Travelling | - | 64 922 |
| Leave pay | - | 44 599 |
| Back pay | - | 20 350 |
| | - | 256 141 |

Municipal Manager's term ended on 31 October 2022.

Remuneration of Director- Corporate services: M Matubatuba

| | | |
|----------------------------|----------|----------------|
| Annual Remuneration | - | 605 149 |
| Back pay | - | 47 683 |
| Subsistence and Travelling | - | 41 548 |
| Leave payout | - | 55 491 |
| | - | 749 871 |

Corporate services director's term ended on 31st March 2023.

Remuneration of Chief Financial Officer: M Mhlifili

| | | |
|---------------------|---|---------|
| Annual Remuneration | - | 611 296 |
| Car Allowance | - | 202 864 |
| Leave payout | - | 246 633 |

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Annual Financial Statements for the year ended 30 June 2024

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| 27. Employee related costs (continued) | | |
| Subsistence and travel allowance | - | 17 927 |
| Back pay | - | 47 389 |
| | - | 1 126 109 |

Chief Financial Officer's term ended on 31st March 2023.

Remuneration of Director - Technical service: N Ntloko

| | | |
|-----------------------------------|---|------------------|
| Annual Remuneration | - | 666 681 |
| Car Allowance | - | 135 000 |
| Leave payout | - | 157 113 |
| Travel and subsistence allowances | - | 78 036 |
| Back pay | - | 47 389 |
| | - | 1 084 219 |

Director technical services left the municipality in February 2023 after getting another somewhere else.

Remuneration of Director - Technical Services : B Tshitshi

| | | |
|------------------|--------|--------|
| Acting allowance | 13 727 | 27 454 |
|------------------|--------|--------|

Manager PMU acting in the position of technical services.

Remuneration of Director - Technical Services: S Batyi

| | | |
|---------------------|---|--------|
| Annual Remuneration | - | 91 514 |
|---------------------|---|--------|

Remuneration of Cheif Audit Executive: N Jiki

| | | |
|----------------------------|---|------------------|
| Annual Remuneration | - | 1 088 702 |
| Back pay | - | 47 389 |
| Subsistence and Travelling | - | 36 307 |
| | - | 1 172 398 |

Chief Audit Executive term ended on 30 June 2022.

Remuneration of Chief Financial Officer - A Ndabeni (Acting)

| | | |
|------------------|--------|--------|
| Acting allowance | 13 727 | 27 454 |
|------------------|--------|--------|

Manager Budget and reporting acting in the position 21 April 2023 to 21 July 2023.

Remuneration of Director - Corporate Services: A Mbarane

| | | |
|----------------------------------|---|----------------|
| Annual Remuneration | - | 540 970 |
| Leave payout | - | 155 734 |
| Back pay | - | 44 684 |
| Subsistence and Travel Allowance | - | 30 184 |
| | - | 771 572 |

Director corporate services' term ended on 31 December 2022.

Remuneration of Director Corporate Services- A Mfingwana (Acting)

| | | |
|------------------|--------|--------|
| Acting allowance | 83 186 | 27 454 |
|------------------|--------|--------|

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| 27. Employee related costs (continued) | | |
| Manager Adminstartion and ICT acting in the position of director corporate services. | | |
| Remuneration of Director - B Godo (Acting) | | |
| Acting allowance | - | 27 454 |
| Remuneration of chief financial officer: B.S. Fikeni | | |
| Annual Remuneration | 758 863 | - |
| Car Allowance | 137 271 | - |
| UIF, Medical aid & SDL | 11 104 | - |
| Back pay | 62 230 | - |
| Subsistance and travel allowances | 47 980 | - |
| | 1 017 448 | - |
| Remuneration of Director Community Services: Z. Masumpa | | |
| Annual remuneration | 626 353 | - |
| Bonus | 9 298 | - |
| Car allowance | 198 000 | - |
| Acting Allowance | 4 534 | - |
| Back pay | 18 740 | - |
| Housing | 66 000 | - |
| UIF, Medical Aid & SDL | 62 056 | - |
| Cell phone allowance | 29 900 | - |
| Subsistance and travelling allowance | 74 795 | - |
| | 1 089 676 | - |
| Remuneration of Director technical Services: S. Nomandela | | |
| Annual remuneration | 277 288 | - |
| Back pay | 5 491 | - |
| UIF, Medical & SDL | 3 558 | - |
| cell phone allowance | 7 200 | - |
| Subsistance and travvel allowances | 14 680 | - |
| | 308 217 | - |
| The director resign on the 29th of February 2024. | | |
| Remuneration of Director Technical Services: A. Hlehliso (Acting) | | |
| Acting allowance | 83 598 | - |
| Manager Technical services acting in the position of Director Technical Services. | | |
| Remuneration of Director Corporate services: F. Msumza (Acting) | | |
| Acting allowance | 83 598 | - |
| Manager Hunman Resources acting in the position of Director corporate services. | | |
| Remuneration of Director Planning and Development : D. Mjokovana (Acting) | | |
| Acting allowance | 83 598 | - |
| Manager Local Economic Development acting in the position of Director Planning and Development. | | |

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| 28. Remuneration of councillors | | |
| Mayor | 1 004 873 | 931 424 |
| Speaker | 857 156 | 759 000 |
| Mayoral Committee Members | 3 163 004 | 3 029 278 |
| MPAC chairperson | 680 196 | 748 769 |
| Councillors | 19 876 944 | 18 190 078 |
| Chief Whip | 763 572 | 710 871 |
| | 26 345 745 | 24 369 420 |

In-kind benefits

The Mayor, Chief Whip and Speaker are full-time.

Each is provided with:

- an office and secretarial support as the cost of the council
- use of a council owned vehicle for official duties
- have full-time driver and body guard each paid 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.

Management class: Councillors

| 2024 | Basic salary | Back pay | Cell phone allowance | Car allowance | Housing | Total |
|-----------------------------|-------------------|------------------|----------------------|------------------|---------------|-------------------|
| Mayor - Cllr N. Pepping | 914 763 | 42 110 | 42 800 | - | - | 999 673 |
| Speaker - Cllr S. B. Vatsha | 731 811 | 34 505 | 42 800 | - | - | 809 116 |
| Chief Whip - Cllr M Nkungu | 686 074 | 32 282 | 42 800 | - | - | 761 156 |
| Mayoral committee members | 4 871 456 | 315 668 | 513 600 | 456 135 | 48 001 | 6 204 860 |
| Ordinary councillors | 13 088 632 | 1 206 546 | 2 083 200 | 1 192 562 | - | 17 570 940 |
| | 20 292 736 | 1 631 111 | 2 725 200 | 1 648 697 | 48 001 | 26 345 745 |

| 2023 | Basic salary | Cell phone allowance | Travel and subsistence allowances | Total |
|-----------------------------|-------------------|----------------------|-----------------------------------|-------------------|
| Mayor - Cllr N. Pepping | 888 837 | 40 800 | 1 787 | 931 424 |
| Speaker - Cllr S. B. Vatsha | 716 170 | 40 800 | 2 030 | 759 000 |
| Chief Whip - Cllr M Nkungu | 666 630 | 40 800 | 3 441 | 710 871 |
| MPAC chairperson | 545 236 | 40 800 | 162 733 | 748 769 |
| Mayoral committee members | 2 264 233 | 285 600 | 479 445 | 3 029 278 |
| Ordinary councillors | 14 414 294 | 2 097 800 | 1 677 984 | 18 190 078 |
| | 19 495 400 | 2 546 600 | 2 327 420 | 24 369 420 |

29. Depreciation and amortisation

| | | |
|-------------------------------|------------|------------|
| Property, plant and equipment | 49 639 111 | 48 815 434 |
|-------------------------------|------------|------------|

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|--|-------------------|-------------------|
| 30. Finance costs | | |
| Interest on overdue accounts | 20 774 | 26 003 |
| Interest on employee benefits obligations - long service award | 626 000 | 574 000 |
| Interest on land fill site provision | 3 024 315 | 2 422 588 |
| | 3 671 089 | 3 022 591 |
| 31. Debt impairment | | |
| Debt impairment | 11 949 912 | 12 360 791 |
| 32. Contracted services | | |
| Outsourced Services | | |
| Burial Services | 29 009 | 64 750 |
| Business and Advisory | 2 294 007 | 4 837 373 |
| Catering Services | 5 432 732 | 5 861 838 |
| Cleaning Services | 24 025 | 162 392 |
| Clearing and Grass Cutting Services | 696 452 | 17 000 |
| Hygiene Services | 246 604 | 23 042 |
| Personnel and Labour - EPWP | 1 384 000 | 1 616 000 |
| Personnel and labour - Casuals | 6 453 898 | 4 249 832 |
| Refuse Removal | 1 222 143 | - |
| Security Services | - | 222 175 |
| Drivers Licence Cards | 306 757 | 141 173 |
| Electrical | 1 148 156 | 682 587 |
| Consultants and Professional Services | | |
| Business and Advisory | 5 898 982 | 5 491 636 |
| Legal Cost | 3 911 425 | 4 820 461 |
| Contractors | | |
| Artists and Performers | 380 000 | 10 000 |
| Audio-visual Services | - | 86 250 |
| Catering Services | 374 752 | 16 200 |
| Electrical - INEP | 2 354 087 | 5 726 087 |
| Employee Wellness | 89 838 | 220 441 |
| Event Promoters | 421 800 | 282 627 |
| Graphic Designers | 6 400 | - |
| Interior Decorator | 106 389 | 93 840 |
| Maintenance of Buildings and Facilities | 596 612 | 574 065 |
| Maintenance of Equipment | 3 961 900 | 2 785 500 |
| Maintenance of Unspecified Assets | 14 188 762 | 19 243 346 |
| Pest Control and Fumigation | - | 79 370 |
| Plants, Flowers and Other Decorations | 17 800 | 10 450 |
| Sewerage Services | 3 438 000 | 2 947 344 |
| Stage and Sound Crew | 261 264 | 217 350 |
| | 55 245 794 | 60 483 129 |
| 33. Transfer and subsidies | | |
| Other subsidies | | |
| Transfer to Eskom | - | 6 173 438 |
| Social Assistance: Social Relief | 7 820 420 | - |
| Schools: Incentives | - | 50 000 |
| Rural Development: Sustainable Economical Opportunity | - | 3 781 026 |
| | 7 820 420 | 10 004 464 |

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| 34. General expenses | | |
| Advertising | 1 671 986 | 1 209 923 |
| Auditors fees | 7 676 157 | 6 080 375 |
| Bank charges | 263 481 | 252 119 |
| Cleaning | 562 298 | 1 482 |
| Hire | 3 596 727 | 3 166 326 |
| Insurance | 1 462 768 | 3 004 421 |
| Conferences and seminars | 1 311 306 | 255 011 |
| IT expenses | 12 587 049 | 7 296 636 |
| Skills Development levy | 1 188 733 | 1 201 819 |
| Motor vehicle expenses | 615 627 | 431 810 |
| Fuel and oil | 9 006 453 | 8 309 093 |
| Printing and stationery | 478 262 | 29 373 |
| Protective clothing | 668 437 | 2 169 432 |
| Subscriptions and membership fees | 2 097 864 | 4 424 112 |
| Telephone and fax | 6 012 264 | 8 897 075 |
| Transport and freight | 2 136 882 | 1 673 125 |
| Travel - local | 19 713 532 | 15 706 914 |
| Electricity | 7 192 577 | 5 039 790 |
| Indigent Relief | 21 974 022 | 2 329 209 |
| LED projects | - | 4 514 678 |
| Travel and subsidies - Non-employees | 52 576 | 159 262 |
| Learnerships and Internships | 4 261 583 | 3 348 687 |
| Bursaries (Employees) | 1 371 802 | 1 100 987 |
| Workman's Compensation Fund | 942 265 | 866 932 |
| Remuneration of ward committee | 7 948 610 | 7 837 102 |
| Signage costs | 47 192 | 114 100 |
| Seating Allowance for Traditional leaders | 79 200 | 73 216 |
| Communication-Radio and TV Transmissions | 286 470 | 77 500 |
| Achievements and Awards | - | 986 240 |
| Servitudes and Land Surveys | - | 51 117 |
| | 115 206 123 | 90 607 866 |

35. 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:

Statement of financial position

2023

| | Note | As previously reported | Correction of Opening balance | Correction of Movement | Restated |
|---|------|------------------------|-------------------------------|------------------------|----------------------|
| Non-current assets: | | | | | |
| Property plant and equipment (Refer to N1, N2, N3, N4 & N7) | 9 | 759 979 243 | (2 968 967) | (18 985 528) | 738 024 748 |
| Investment property (Refer to N2 & N5) | 8 | 518 146 500 | 188 090 734 | 44 718 309 | 750 955 543 |
| Net assets: | | | | | |
| Accumulated Surplus (Refer to N2) | | (1 444 541 951) | (186 206 996) | (40 166 306) | (1 670 915 253) |
| Current liabilities: | | | | | |
| Payables from exchange transactions (Refer to N1) | 12 | (44 973 419) | - | 15 112 569 | (29 860 850) |
| Current Assets: | | | | | |
| VAT receivables (Refer to N1) | 5 | 6 317 426 | - | (679 044) | 5 638 382 |
| | | (205 072 201) | (1 085 229) | - | (206 157 430) |

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| 35. Prior-year adjustments (continued) | | | | | |
| Statement of financial performance | | | | | |
| 2023 | | | | | |
| | Note | As previously reported | Correction of Movement | Re-classification | Restated |
| Revenue from exchange transactions: | | | | | |
| Other income (Refer to N6) | 21 | 272 608 | (138 942) | - | 133 666 |
| Expenditure: | | | | | |
| Employee related costs (Refer to N3) | 27 | (156 224 348) | - | 5 865 832 | (150 358 516) |
| Depreciation and amortisation (Refer to N4) | 29 | (47 103 545) | (1 711 889) | - | (48 815 434) |
| Contracted services (Refer to N1 & N3) | 32 | (50 784 876) | (3 832 421) | (5 865 832) | (60 483 129) |
| General expenditure (Refer to N1 & N6) | 34 | (100 667 181) | 11 234 378 | - | (89 432 803) |
| Finance costs (Refer to N6) | 30 | (2 996 588) | (26 003) | - | (3 022 591) |
| Transfer and subsidies (Refer to N4 & N7) | 33 | (1 614 328) | (8 390 136) | - | (10 004 464) |
| Fair Value adjustment (Refer to N5) | | - | 44 718 309 | - | 44 718 309 |
| Surplus for the year | | (359 118 258) | 41 853 296 | - | (317 264 962) |
| Cash flow statement | | | | | |
| 2023 | | | | | |
| | Note | As previously reported | Correction of Movement | | Restated |
| Cash flow from operating activities | | | | | |
| Receipts: | | | | | |
| Property rates | | 33 640 253 | 2 918 615 | | 36 558 868 |
| Sale of goods and services | | 9 498 025 | (3 556 747) | | 5 941 278 |
| Interest income received | | 16 245 387 | - | | 16 245 387 |
| Payments: | | | | | |
| Employee related costs | | (180 558 986) | 7 279 627 | | (173 279 359) |
| Suppliers | | (152 686 190) | (19 734 719) | | (172 420 909) |
| | | (273 861 511) | (13 093 224) | | (286 954 735) |
| Cash flow from investing activities | | | | | |
| Property plant and equipment | | (97 149 108) | 12 980 550 | | (84 168 558) |

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35. Prior-year adjustments (continued)

N1 - Payables from exchange transactions

Error 1: During the current year, it was noted that purchase orders captured on the system were erroneously processed as accrued liability for the year ending 30 June 2023. Neither goods nor services were received during the financial year ending 30 June 2023. Payables accruals reported in prior year audited financial statements was overstated by R 16,638,807, VAT receivables was overstated by R 679,043, contracted services overstated by R 2,518,631 and general expenditure overstated by R 11,069,432.

Error 2: During the year, it was noted that retention relating to projects was erroneously omitted on the system. Retention liability presented in prior year audited financial statement was understated by R 1,526,238.

The financial impact of the error was determined to be as follows:

| Components affected | Debit | Credit |
|---|-------------------|---------------------|
| Trade creditor accruals (decrease) | 16 638 807 | - |
| General expenditure (decrease) | - | (11 069 432) |
| Contracted services ((decrease) | - | (2 518 631) |
| VAT input accrual receivable (decrease) | - | (679 043) |
| Property plant and equipment (decrease) | - | (2 371 701) |
| Retention liability (increase) | - | (1 526 236) |
| Contracted services (increase) | 1 526 236 | - |
| | 18 165 043 | (18 165 043) |

Financial reporting period restated: 30 June 2023.

N2 - Accumulated surplus

Error 1: During current year, it was noted that all electrification projects were erroneously capitalised as construction work in progress in current and prior years. Thus, property plant and equipment opening balances as at 1 July 2022 were overstated by R 4,788,580.

Error 2: The municipality changed investment property's measurement model to from fair value to cost model. The change did not comply with the requirement of GRAP standard, hence investment property balance disclosed in prior year audited financial statement was understated by a total amount of R 232 809 043. The adjustment was split into two and R 188 090 734 was processed against retained surplus. I

The financial impact of the error was determined to be as follows:

| Components affected | Debit | Credit |
|---|--------------------|--------------------|
| Accumulated surplus (decrease) | 4 788 580 | - |
| Property plant and equipment (decrease) | - | 4 788 580 |
| Investment property (decrease) | 188 090 734 | - |
| Accumulated surplus (decrease) | - | 188 090 734 |
| | 192 879 314 | 192 879 314 |

Financial reporting period restated: 01 July 2022.

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35. Prior-year adjustments (continued)

N3 - Contracted services

Error 1: During the year, it was noted that cost paid to EPWP workers were erroneously recorded as employee costs in prior year audited annual financial statement. Employee related costs amount was overstated by R 5,897,119 and contracted services understated by the same amount.

Error 2: During current year, it was noted that all electrification projects were erroneously capitalised as construction work in progress in current and prior years. Thus, property plant and equipment, work in progress addition balance as at 30 June 2023 was overstated by R 5,726,087.

Error 3: An error has been identified whereby invoice relating furniture and office equipment was incorrectly recorded as contracted services. Amount presented in prior year annual financial statement for contracted services was overstated by R 558,400.

Error 4: Retention amount relating to maintenance of roads was not accounted on the system in the previous financial period and contracted services amount presented in prior year audited annual financial statement was understated by R 1,183,364.

The financial impact of the error was determined to be as follows:

| Components affected | Debit | Credit |
|---|-------------------|-------------------|
| Contracted services (increase) | 12 248 170 | - |
| Property plant and equipment (decrease) | - | 5 167 687 |
| Employee related costs (decrease) | - | 5 897 119 |
| Retention liability (decrease) | - | 1 183 364 |
| | 12 248 170 | 12 248 170 |

Financial reporting period restated: 30 June 2023.

N4 - Property Plant and Equipment

Error 1: During current year, it was noted that all electrification projects were erroneously capitalised as construction work in progress in current and prior years. Thus, property plant and equipment, work in progress addition balance as at 30 June 2023 was overstated by R 6,173,438.

Error 2: An error occurred in prior year whereby some assets were duplicated on the financial system and fixed asset register. Thorough physical verification was performed and duplicated assets were removed. Property plant and equipment disclosed in prior year audited financial statement was overstated by R 576,634.

Error 3: During preparation of financial statement, management performed a recalculation of accumulated depreciation to address audit finding identified in prior year audit engagement. Due to this error, property plant and equipment was overstated by R 1,765,704.

Error 4: Few projects were completed in previous year but not capitalised into property plant and equipment. Municipality capitalised these projects and depreciation was calculated retrospectively. As a result, depreciation expenses and property plant and equipment assets were understated by R 1 711 889.

The financial impact of the error was determined to be as follows:

| Components affected: | Debit | Credit |
|------------------------------|------------------|------------------|
| Transfers and subsidies | 6 173 438 | - |
| Property plant and equipment | - | 6 173 438 |
| Depreciation expenses | 1 711 889 | - |
| Property plant and equipment | - | 1 711 889 |
| | 7 885 327 | 7 885 327 |

Financial reporting period restated: 30 June 2023.

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35. Prior-year adjustments (continued)

N5. Investment property

Error 1: The municipality changed investment property's measurement model to from fair value to cost model. The change did not comply with the requirement of GRAP standard, hence investment property balance disclosed in prior year audited financial statement was understated by a total amount of R 232 809 043. The adjustment was split into two and R 44 718 309 was processed against retained surplus. I

The financial impact of the error was determined to be as follows:

| Components Affected: | Debit | Credit |
|--------------------------------|-------------------|-------------------|
| Investment Property (Increase) | 44 718 309 | - |
| Fair value gains (Increase) | - | 44 718 309 |
| | 44 718 309 | 44 718 309 |

Financial reporting period restated: 30 June 2023.

N6 - General expenditure

Error 1: During the year, it was identified that finance costs under fruitless and wasteful expenditure were accounted as operational costs in prior year. Due to this error, general expenses were overstated by R 26,003.

Error 2: Management identified that some few debit orders were deducted from the bank account without a valid contract and in some case where there is no contract at all with supplier. The municipality disputed these transactions and the bank reversed these debit orders into municipal bank account. Upon reversal, the transactions were erroneously recorded as revenue against respective expenditure accounts.

The financial impact of the error was determined to be as follows:

| Components affected | Debit | Credit |
|------------------------------------|----------------|----------------|
| Finance costs | 26 003 | - |
| General expenditure | - | 164 945 |
| Revenue from exchange transactions | 138 942 | - |
| | 164 945 | 164 945 |

N7 - Transfer and subsidies

Error 1: During the year, it was noted that some LED costs were erroneously capitalised into work in progress. Amount presented in prior year audited financial statement was understated by 2,216,698.

The financial impact of the error was determined to be as follows:

| Component Affected | Debit | Credit |
|------------------------------|------------------|------------------|
| Transfer and subsidies | 2 216 698 | - |
| Property Plant and equipment | - | 2 216 698 |
| | 2 216 698 | 2 216 698 |

Financial reporting period restated: 30 June 2023.

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35. Prior-year adjustments (continued)

Irregular expenditure

During preparation of annual financial statements, management identified matters of non-compliance with SCM policies which were omitted in prior year irregular expenditure disclosure note. The municipality failed to obtain three quotations from service providers for transportation of 464 choristers who attended OR Tambo District Choral Music Festival in Mthatha on the 15th of October 2022 and 70 people who attended skills development summit in Mthatha from 12th to 14th of August 2022.

Correction on the disclosure was made as follows:

| | As previously disclosed | Prior period adjustment | Restated amount |
|-----------------------|-------------------------|-------------------------|-----------------|
| Irregular expenditure | 11 761 375 | 160 810 | 11 922 185 |

Fruitless and wasteful expenditure

Management identified finance costs incurred in the previous financial reporting period which were omitted on the fruitless and wasteful expenditure disclosure note.

Correction of the disclosure note was made as follows:

| | As Previously disclosed | Prior period adjustment | Restated amount |
|---------------|-------------------------|-------------------------|-----------------|
| Finance costs | 17 290 | 26 003 | 43 293 |

Related party disclosure

During preparation of annual financial statements, it was discovered that related parties disclose note presented in 2022/23 audited financial statements included other transactions which does not qualify to be categorised as related party transactions. These includes salaries and other employee costs for managers who were appointed to act as a director for a short period of time. In those cases, the acting allowance must be presented as related part transaction instead of the entire salary package. Prior period audited disclosure has been restated to correct this error.

Furthermore, most of the related part transactions are employee related costs in nature and have been included under note relating to employee costs and referenced accordingly.

Correction on the disclosure was made as follows:

| | As previously disclosed | Prior period error | Restated amount |
|---|-------------------------|--------------------|-----------------|
| A Ndabeni - Acting Chief Financial Officer | 65 499 | (65 499) | - |
| B Godo - Acting Director Community Services | 44 158 | (44 158) | - |
| M Mfingwana - Acting Directors Corporate Services | 37 878 | (37 878) | - |
| B Tshitshi - Acting Director Technical Services | 11 567 | (11 567) | - |
| | 159 102 | (159 102) | - |

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| 36. Cash generated from operations | | |
| Surplus | 83 019 915 | 97 163 819 |
| Adjustments for: | | |
| Depreciation and amortisation | 49 639 111 | 48 815 434 |
| Gain on sale of assets and liabilities | 229 629 | - |
| Fair value adjustments | (19 010 983) | (44 718 309) |
| Debt impairment | 11 949 912 | 12 360 791 |
| Movements in retirement benefit liabilities | 635 000 | (114 000) |
| Movements in provisions | 2 422 642 | 2 040 584 |
| Non-cash donations and other in-kind benefits | - | (2 250 000) |
| Changes in working capital: | | |
| Inventories | 142 084 | 44 870 |
| Receivables from exchange transactions | (12 115 576) | (12 242 534) |
| Statutory receivables | 5 123 039 | 12 791 562 |
| Payables from exchange transactions | 2 998 413 | (10 332 279) |
| VAT receivable | 3 765 677 | 2 846 047 |
| Unspent conditional grants and receipts | 2 205 654 | (5 312 841) |
| | 131 004 517 | 101 093 144 |

37. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of six major functional areas: community services, budget and treasury office, economic development services, administration services, infrastructure and technical services and municipal manager's office. The segments were organised around the type of activities and service delivered by the municipality to the community. Each reportable segment is led by a senior management official who reports on a monthly and quarterly basis to relevant municipal stakeholders. The performance of each reportable segment is assessed in line with the Integrated Development Plan (IDP) and Service delivery and Budget Implementation Plan (SDBIP) of the municipality. Management uses these same segments for determining strategic objectives. None of the segments were aggregated.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates in part of the Eastern Cape Province. Each reportable segment is reported separately, none were aggregated.

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37. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

| Reportable segment | Senior management | Activities and functions |
|---------------------------------------|------------------------------------|---|
| Administration | Director: Corporate Service | Administrative, corporate services, human resources management and information technology services. |
| Budget and Treasury Office | Chief Financial Officer | Finance management services |
| Community services | Director: Community Service | Community services, social services, solid waste removal services, road and traffic regulation services, sports ground and stadium management services. |
| Economic Development Services | Director: Planning and Development | Corporate wide strategic planning services (IDPs, LEDs), and town planning. |
| Infrastructure and technical services | Director: Technical Services | Electricity, project management unit (PMU), street lighting and signal systems. |
| Municipal Manager's Office | Municipal manager | Internal audit services, Legal services, council, municipal manager, town secretary and chief executive and risk management services. |

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37. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

| | Administration | Budget & Treasury Office | Community Services | Economic Development Services | Infrastructure & Technical Services | Municipal Manager's office | Total |
|--|----------------------|--------------------------|----------------------|-------------------------------|-------------------------------------|----------------------------|----------------------|
| Revenue | | | | | | | |
| Revenue from exchange transactions | 62 282 | 24 886 638 | 6 350 907 | 1 303 426 | - | - | 32 603 253 |
| Revenue from non-exchange transactions | 803 064 | 370 467 222 | 2 127 448 | - | 74 240 346 | 1 384 000 | 449 022 080 |
| Total segment revenue | 865 346 | 395 353 860 | 8 478 355 | 1 303 426 | 74 240 346 | 1 384 000 | 481 625 333 |
| Entity's revenue | | | | | | | 481 625 333 |
| Expenditure | | | | | | | |
| Employee related costs | 15 044 891 | 19 413 518 | 62 011 233 | 9 632 631 | 15 203 532 | 27 324 483 | 148 630 288 |
| Contracted Services | 1 093 286 | 8 017 795 | 9 500 558 | 3 483 649 | 22 905 007 | 10 245 500 | 55 245 795 |
| Depreciation and amortisation | 6 957 639 | 920 234 | 1 050 064 | 6 763 826 | 33 947 349 | - | 49 639 112 |
| Finance costs | 626 000 | 20 774 | 3 024 315 | - | - | - | 3 671 089 |
| Debt impairment | - | 11 949 912 | - | - | - | - | 11 949 912 |
| Operating costs | 31 650 192 | 46 942 301 | 3 177 522 | 1 614 131 | 9 538 615 | 22 283 368 | 115 206 129 |
| Remuneration of councillors | - | - | - | - | - | 26 345 745 | 26 345 745 |
| Transfer and subsidies | - | - | 60 000 | 7 760 420 | - | - | 7 820 420 |
| Disposal of non-current assets | - | - | 229 629 | - | - | - | 229 629 |
| Fair value adjustment | - | (6 988 673) | - | - | (12 022 310) | - | (19 010 983) |
| Actuarial gains | - | (1 121 713) | - | - | - | - | (1 121 713) |
| Total segment expenditure | 55 372 008 | 79 154 148 | 79 053 321 | 29 254 657 | 69 572 193 | 86 199 096 | 398 605 423 |
| Total segmental surplus/(deficit) | (54 506 662) | 316 199 712 | (70 574 966) | (27 951 231) | 4 668 153 | (84 815 096) | 83 019 910 |
| Assets | | | | | | | |
| Current assets | (175 301 534) | 1 418 292 154 | (137 741 858) | 20 859 244 | (640 155 731) | (172 981 180) | 312 971 095 |
| Non-current assets | (3 351 013) | 965 573 376 | 28 152 193 | (12 209 894) | 738 381 919 | (169 584 291) | 1 546 962 290 |
| Total segment assets | (178 652 547) | 2 383 865 530 | (109 589 665) | 8 649 350 | 98 226 188 | (342 565 471) | 1 859 933 385 |

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| | Adminstration | Budget & Treasury Office | Community Services | Economic Development Services | Infrastructure & Technical Services | Municipal Manager's office | Total |
|---|-------------------|--------------------------|--------------------|-------------------------------|-------------------------------------|----------------------------|----------------------|
| 37. Segment information (continued) | | | | | | | 1 859 933 385 |
| Total assets as per Statement of financial Position | | | | | | | |
| Liabilities | | | | | | | |
| Current liabilities | 53 904 712 | (178 097 077) | (8 455 526) | (3 451 439) | 57 436 528 | 604 925 | (78 057 877) |
| Non-current liabilities | - | (29 025 484) | - | - | - | - | (29 025 484) |
| Total segment liabilities | 53 904 712 | (207 122 561) | (8 455 526) | (3 451 439) | 57 436 528 | 604 925 | (107 083 361) |
| Total liabilities as per Statement of financial Position | | | | | | | (107 083 361) |

2023

| | Adminstration | Budget & Treasury Office | Community Services | Economic Development | Infrastructure & Technical Services | Municipal Manager's Offices | Total |
|--|------------------|--------------------------|--------------------|----------------------|-------------------------------------|-----------------------------|--------------------|
| Revenue | | | | | | | |
| Revenue from non-exchange transactions | 2 081 800 | 346 198 482 | 3 866 304 | 3 582 501 | 73 000 523 | - | 428 729 610 |
| Revenue from exchange transactions | 63 055 | 15 492 316 | 5 497 932 | 1 228 265 | - | - | 22 281 568 |
| Total segment revenue | 2 144 855 | 361 690 798 | 9 364 236 | 4 810 766 | 73 000 523 | - | 451 011 178 |
| Entity's revenue | | | | | | | 451 011 178 |

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37. Segment information (continued)

Expenditure

| | | | | | | | |
|---------------------------------|------------|--------------|------------|------------|------------|------------|--------------|
| Salaries and wages | 18 560 341 | 19 410 821 | 57 027 338 | 11 470 957 | 18 024 063 | 25 864 999 | 150 358 519 |
| Contracted services | 1 068 552 | 6 889 348 | 5 764 724 | 4 976 837 | 30 090 709 | 11 692 958 | 60 483 128 |
| Depreciation and amortisation | 4 820 672 | 911 219 | (982 892) | 8 476 684 | 36 487 227 | (897 447) | 48 815 463 |
| Finance costs | 574 000 | 26 003 | 2 422 588 | - | - | - | 3 022 591 |
| Irrecoverable debts written-off | - | 12 360 791 | - | - | - | - | 12 360 791 |
| Operating costs | 29 062 496 | 25 373 861 | 3 448 141 | 5 617 635 | 7 682 423 | 19 423 309 | 90 607 865 |
| Remuneration of councillors | - | - | - | - | - | 24 369 420 | 24 369 420 |
| Transfer and subsidies | - | - | 147 200 | 3 683 826 | 6 173 438 | - | 10 004 464 |
| Disposal of non-current assets | - | (1 456 544) | - | - | - | - | (1 456 544) |
| Fair value adjustment | - | (83 077 198) | - | - | 38 358 889 | - | (44 718 309) |

Total segment expenditure

54 086 061 (19 561 699) 67 827 099 34 225 939 136 816 749 80 453 239 353 847 388

Total segmental surplus/(deficit)

(51 941 206) 381 252 497 (58 462 863) (29 415 173) (63 816 226) (80 453 239) 97 163 790

Assets

| | | | | | | | |
|--------------------|---------------|---------------|---------------|-------------|---------------|---------------|---------------|
| Current assets | (145 407 239) | 1 184 180 255 | (128 639 653) | 32 333 575 | (519 896 700) | (143 010 358) | 279 559 880 |
| Non-current assets | (460 661) | 958 646 219 | 16 505 114 | (5 144 670) | 1 022 299 003 | (501 779 482) | 1 490 065 523 |

Total segment assets

(145 867 900) 2 142 826 474 (112 134 539) 27 188 905 502 402 303 (644 789 840) 1 769 625 403

Total assets as per Statement of financial Position

1 769 625 403

Liabilities

| | | | | | | | |
|-------------------------|------------|---------------|-------------|-------------|-------------|-----------|--------------|
| Current liabilities | 55 566 705 | (112 596 043) | (7 036 150) | (2 589 839) | (5 592 944) | (416 728) | (72 664 999) |
| Non-current liabilities | - | (26 045 147) | - | - | - | - | (26 045 147) |

Total segment liabilities

55 566 705 (138 641 190) (7 036 150) (2 589 839) (5 592 944) (416 728) (98 710 146)

Total liabilities as per Statement of financial Position

(98 710 146)

Measurement of segment surplus or deficit, assets and liabilities

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37. Segment information (continued)

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. All transactions disclosed in each Reportable Segment are on an accrual basis, amounts are derived from the financial reporting system.

Measurements and disclosure of amounts presented in each Reportable Segment:

The primary source of information presented in each Reportable Segment is the final trial balance as at each reporting period.

All transactions on the general ledger are aligned to the correct reportable segment in which they relate to therefore no need for a reconciliation between amounts presented on the reportable segment to those presented on the statement of financial performance and statement of financial position of the municipality.

Measurement and accounting policies applicable to municipal segments are aligned to those utilized by the municipality.

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| 38. 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. | | |
| Decontamination and fumigation of offices Procurement of decontamination and fumigation of offices was made through the emergency system. | - | 62 100 |
| Procurement of laptops and IT equipment Procurement of laptops was made through the emergency system. | - | 218 016 |
| Plant Hiring The hiring of plant was done through emergency procurement system and the number of incidents was 1 | 83 710 | 96 575 |
| Transport services The procurement of transport services was done through emergency system, the number of incidents was 1 | 36 000 | 134 560 |
| Repairs and service to motor vehicles/plant The procurement of repairs and maintenance of motor vehicles and plant was done through single source. | 3 946 098 | 2 119 908 |
| Advertising Procurement of advertising services was done from a widely read paper in the Eastern Cape | 509 840 | 502 561 |
| Funeral service material Procurement of funeral material on emergency system. | - | 48 447 |
| Security Procurement of security services using emergency system | - | 171 648 |
| Radio Slot presentation | 116 950 | - |
| Broadcasting for Ingquza commemoration | | |
| Stage Deco | 4 600 | - |
| Erratum for vacant post | 37 729 | - |
| Locksmith services | 8 154 | - |
| Qualification verification | 28 800 | - |
| Supply and delivery of water tanks, stands and 05 Portable mobile toilets | 117 210 | - |
| Service and Calibration of Speed Camers | 6 155 | - |
| | 4 895 246 | 3 353 815 |

Deviation arises from emergency procurement system which makes impractical or impossible to follow the official procurement process as per SCM reg 36(1)(a)(v).

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|--|---------------|---------------|
| 39. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 43 293 | 17 290 |
| Add: Fruitless and wasteful expenditure identified - current | 20 774 | 26 003 |
| Closing balance | 64 067 | 43 293 |

Fruitless and wasteful expenditure is presented inclusive of VAT where applicable.

Fruitless and wasteful expenditure arises from interest paid to Eskom on long outstanding suppliers account balance.

During preparation of 2024 annual financial statements, additional fruitless and wasteful expenditure worth R 26,003 was identified.

Prior year audited amount was restated accordingly to account for this omission error. Refer to Note 35.

Amount recovered

None of the fruitless and wasteful expenditure presented above has been recovered in current or prior year.

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39. Fruitless and wasteful expenditure (continued)

Amount written-off

None of the fruitless and wasteful expenditure presented above has been written-off in current or prior year.

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment

117 856 457 72 259 253

Total capital commitments

Already contracted for but not provided for

117 856 457 72 259 253

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

41. Irregular expenditure

Opening balance as previously reported

11 922 185 11 645 639

Add: Irregular expenditure - current

3 103 486 3 413 719

Add: Irregular expenditure - prior period

- 160 810

Less: Amount written off - current

- (3 297 983)

Closing balance

15 025 671 11 922 185

During preparation of 2024 annual financial statements, additional irregular expenditure relating to prior year was identified. This was in relation to Non-Compliance with legislation and regulations - SCM Regulations. Three quotations were not requested from service providers.

Prior year audited amounts have been restated to account for this omission. Refer to note 35.

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41. Irregular expenditure (continued)

Cases under investigation

The irregular expenditure disclosed in prior year has been submitted to Municipal Public Accounts Committee for investigations. All irregular expenditure transactions are disclosed inclusive of VAT.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 3 297 983 from the total irregular expenditure amount in prior year as it was proven without reasonable doubt that the amount was not recoverable.

None of the current year irregular expenditures were written-off in current year.

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| 42. Contingencies | | |
| Table below shows litigation claims for the municipality as at the end of the financial reporting period: | | |
| Litigation Claim Details | 2024 | 2023 |
| Sifiso Hlalayedwa Vs IHLM | 91 400 | 91 400 |
| This is a claim emanating from the removal of container. | | |
| Ayanda Mgodana Vs IHLM | 61 900 | 61 900 |
| This is a claim emanating from the removal of container. | | |
| Mawande Sataka Vs IHLM | 115 000 | 115 000 |
| This is a claim emanating from the removal of container. | | |
| J.W Ngwane Vs IHLM | 150 000 | 150 000 |
| This is a claim emanating from the removal of container. | | |
| Dynamic Kitchen & 5 others Vs IHLM | 350 000 | 350 000 |
| This is a claim emanating from the removal of container. | | |
| Masibongwe Wilberforce Gamngca Vs IHLM | 140 000 | 140 000 |
| Damages claim for a loss of horses impounded by the municipality agents | | |
| Luvuyo Melato Vs IHLM | 80 000 | 80 000 |
| This is an interdict for interference with site. | | |
| Ndikhonam Ndelela Vs IHLM | 127 565 | 127 565 |
| Damages claim emanating from alleged repairs due to the plaintiff for his motor vehicle damages. | | |
| Andile Macingwane Vs IHLM | 650 000 | 650 000 |
| This is a damages claim against the municipality for alleged assault case | | |
| Louis Botha Vs IHLM | 111 255 | 111 255 |
| This relates to damages claimed against the municipality vehicle cost for repairs due to potholes. | | |

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| 42. Contingencies (continued) | | |
| Ligman Qeqe Vs IHLM | 9 400 000 | 9 400 000 |
| Civilians allegation that they were shot by a municipal employee. | | |
| Nceba Dinwayo & Others Vs IHLM | 1 700 000 | 1 700 000 |
| Interdict on the invasion by the respondent and some other land grabbers. | | |
| Mathenjwa T Vs IHLM | 850 000 | 850 000 |
| Claim for legal costs relating to work rendered to the municipality. | | |
| EFF Vs IHLM & Others | 500 000 | 500 000 |
| Challenging EFF's dress code of counsellors. | | |
| Ntombizodwa Lugongolo Vs IHLM | 94 055 | 94 055 |
| Damages arising out of shooting community member. legal costs added to the financial exposure is R 94,055 | | |
| Quanza Group Vs IHLM | 400 000 | 400 000 |
| The municipality intends to terminate contract for poor performance. | | |
| Ayagu Trading Vs IHLM | 300 000 | 300 000 |
| Application to challenge the decision to rescind tender award as a result of court order. | | |
| Madikane Vs IHLM | 9 300 000 | 9 300 000 |
| Claim for past loss of income | | |
| Zanele Sodladla Vs IHLM | 4 500 000 | 4 000 000 |
| Employee appealing decision by CCMA. | | |
| IHLM Vs Ayanda Mfolozi | 12 500 000 | 12 500 000 |
| Claim for damages as a result of demolition of houses / structures at new rest. | | |
| IHLM Vs Luvo Joji | 1 500 000 | 1 500 000 |
| Constructive dismissal | | |
| IHLM Vs Vuyani Johnson | 500 000 | - |
| This relates to an eviction application against respondent occupying premises belonging to the municipality. | | |

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|--|-------------------|-------------------|
| 42. Contingencies (continued) | | |
| IHLM Vs Pharaoh Construction | 1 500 000 | - |
| This matter relates to an applicant who was attempting to review and set aside the municipality's decision of granting a tender against the second respondent. When the matter appeared in court for the first time, the municipality was found indeed unlawful. | | |
| Luvulweni Construction Vs IHLM | 500 000 | - |
| Interdict against municipality wherein the plaintiff is interdicting the building of Lusikisiki Community Hall as they feel that they have a session with the municipality | | |
| | 45 421 175 | 42 421 175 |

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43. Related parties

| | |
|---------------------------|------------------|
| Relationships | |
| Members of key management | Refer to note 27 |
| Councillors | Refer to note 28 |

Related party balances

Leave accrual owed to executive management:

| | | |
|-----------------------------------|--------|--------|
| V.C. Makedama - Municipal Manager | 94 646 | 37 997 |
| BS Fikeni | 46 908 | - |
| Z Masumpa | 61 101 | - |
| S Bhatyi - Director Planning | - | 8 716 |

Municipal employees accrues 24 leave days in each financial reporting period. Leave accrued liability relates to an estimated balance due to the employee at the end of each reporting period. Leave pay accrued liability is not secured by anything.

Remuneration of management

Audit committee members' fees

2024

| | Fees |
|--------------------------|----------------|
| Name | |
| M Litile | 128 000 |
| S Nyenyiso - Chairperson | 198 000 |
| Y Mabona | 112 000 |
| Y Rini | 128 000 |
| Name 5 | - |
| | 566 000 |

2023

| | Fees |
|---------------------------|----------------|
| Name | |
| A Makhanta | 27 000 |
| N Mngadi | 13 000 |
| S. Nyenyiso - Chairperson | 99 289 |
| T Zakuza (Jan) | 6 500 |
| Y Rini | 64 000 |
| Y Mabona | 56 000 |
| | 265 789 |

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43. Related parties (continued)

Municipal Disciplinary Board

2024

| Name | Fees |
|-----------------------|----------------|
| S Bavu | 56 000 |
| S Gwexa | 48 000 |
| T Nkele - Chairperson | 45 000 |
| Y Madolo | 48 000 |
| | 197 000 |

2023

| Name | Fees |
|-----------------------|---------------|
| Y Mabona | 9 000 |
| S Gwexa | 8 000 |
| S Bavu | 24 000 |
| T Nkele - Chairperson | 27 000 |
| Y Madolo | 24 000 |
| | 92 000 |

44. Comparative figures

Certain comparative amounts have been restated to correct prior period errors identified.

45. Risk management

Financial risk management

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45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

| | 2024 | 2023 |
|--|-------------|-------------|
| Financial instrument | | |
| Cash and cash equivalent | 267 821 868 | 225 657 101 |
| Receivables from exchange transactions | 1 324 700 | 1 159 036 |
| VAT receivable | 1 872 705 | 5 638 382 |

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

46. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Statutory receivables | 7 845 784 | 7 845 784 |
| VAT receivables | 1 872 705 | 1 872 705 |
| Receivables from exchange transactions | 1 324 700 | 1 324 700 |
| Cash and cash equivalents | 267 821 868 | 267 821 868 |
| | 278 865 057 | 278 865 057 |

Financial liabilities

| | At amortised cost | Total |
|---|-------------------|-------------------|
| Trade and other payables from exchange transactions | 32 859 263 | 32 859 263 |
| Unspent conditional grant | 7 306 036 | 7 306 036 |
| | 40 165 299 | 40 165 299 |

2023

Financial assets

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Statutory receivables | 12 968 823 | 12 968 823 |
| VAT receivable | 5 638 382 | 5 638 382 |
| Trade and other receivables from exchange transactions | 1 159 036 | 1 159 036 |
| Cash and cash equivalents | 225 657 101 | 225 657 101 |
| | 245 423 342 | 245 423 342 |

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|-----------------|------|------|

46. Financial instruments disclosure (continued)

Financial liabilities

| | At amortised cost | Total |
|---|-------------------|-------------------|
| Trade and other payables from exchange transactions | 29 860 850 | 29 860 850 |
| Unspent conditional grant | 5 100 382 | 5 100 382 |
| | 34 961 232 | 34 961 232 |

47. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 1 753 935 171..

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

The municipality prepared a funded budget covering financial period ending 30 June 2025,2026 and 2027. This budget was adopted by council and based on the source of funding stated in the adopted budget, there it is highly likely that the municipality will have sufficient funds to support its operations.

The adopted budget was approved by several stakeholders such as treasury who is the main source of funds for the municipality. This warrants going concern aspect of the municipality.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 8 436 561 | 4 333 588 |
| Amount paid - current year | (8 436 561) | (4 333 588) |
| | - | - |

Audit fees

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 7 676 157 | 6 080 375 |
| Amount paid - current year | (7 676 157) | (6 080 375) |
| | - | - |

PAYE and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 28 400 724 | 29 533 532 |
| Amount paid - current year | (28 400 724) | (29 533 532) |
| | - | - |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|----------------|--------------|
| Current year subscription / fee | 20 929 694 | 20 416 217 |
| Amount paid - current year | (20 703 677) | (20 416 217) |
| | 226 017 | - |

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|-----------------|------|------|

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

| | | |
|----------------|-----------|-----------|
| VAT receivable | 1 872 705 | 5 638 382 |
|----------------|-----------|-----------|

VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

None of the councillors had arrear accounts outstanding for more than 90 days as at 30 June 2024.

49. Budget differences

Material differences between budget and actual amounts

Below are explanations of variance that are more than 15% between the budgeted amounts and actual amounts for the year.

Statement of financial performance:

1. Service Charges - The municipality anticipated new connections for rural hospitals and new developments.
2. Rendering of Services - The municipality anticipated an increase in building plan approvals and fees for land usage.
3. Rental of facilities and equipment - The municipal rental contract expired and were not renewed resulting to over-budgeting.
4. Interest on debtors-waste - The municipal anticipated full participation by customers on debt incentives.
5. Agency services - The municipality anticipated an increase in vehicle licences and DLTC.
6. Licences and Permits - The municipality anticipated that businesses would apply for licences for trading and application of by-laws.
7. Other Income - The difference is less than 15%.
8. Interest received - investment - The difference is less than 15%.
9. Property rates - The municipality anticipated an increase in registration and rezoning of Erf and building structures in both towns.
10. Interest on debtors – statutory receivables - The municipal anticipated full participation by customers on debt incentives.
11. Government grants & subsidies - The difference is less than 15%.
12. Fines, Penalties and Forfeits - The difference is less than 15%.
13. Employee realated costs - The difference is less than 15%.
14. Remuneration of councillors - The difference is less than 15%.
15. Depreciation and amortisation - The difference is less than 15%.
16. Finance costs - The difference is less than 15%.
17. Debt impairment - The municipality budgeted for write-off of debtors and impact of debt incentives.
18. Contracted Services - The municipality budget for maintenance and service of new fleet, the municipality used internal resources in most instances, savings on litigations and accounting services.

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49. Budget differences (continued)

19. Transfers and subsidies - The transfers and subsidy were affected by project that were awarded towards the end of 2023/24 financial year.

20. General Expenses - The difference is less than 15%.

21. Actuarial gains and losses - The difference is less than 15%.

Statement of financial position:

22. Inventories - The municipality used contracted services and general expenditure.

23. Operating lease - The municipality anticipated new leasing of assets.

24. Statutory Receivables - The municipality over budgeted for statutory receivables anticipating new additions and rezoning.

25. Receivables from exchange transactions - The municipality anticipated an increase billing and addition of new refuse removal.

26. VAT Receivable - The municipality anticipated delays in SARS payments.

27. Cash and cash equivalents - The municipality anticipated an increase in internal funded capital projects.

28. Investment property - The difference is less than 15%.

29. Property, plant and equipment - The difference is less than 15%.

30. Payables from exchange transactions - The municipality anticipated an increase in payable.

31. Employee Benefit Obligation - The municipality anticipated an increase in employee benefit obligations.

32. Unspent Conditional grants and receipts - The municipality anticipated budgeted for full use of all grants.

33. Provision - The difference is less than 15%.

34. Employee Benefit Obligation - The municipality anticipated an increase in employee benefit obligations.

35. Provision - The difference is less than 15%.

36. Accumulated Surplus - The difference is caused by the movement in other components that has an impact in accumulated surplus as detailed above

50. Events after the reporting date

The municipality not aware of any events or conditions which took place after end of the financial reporting period which warrants additional adjustment or disclosure.

51. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

The agreement is between the municipality and department of transport for collection of revenue relating to vehicle registration and licensing fees. The amount due to the department is deposited direct to the department's account through SBV cash in transit.

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51. Accounting by principals and agents (continued)

Municipality as an agent

Revenue recognised

The municipality is an agent for the department of transport when it is delegated to register and license motor vehicles on its behalf.

There is a receivable amount of R 20,957 in 2024 and 132,099:20 in 2023

All collections made are paid over to the Department of Transport twice in each month. The amount receivable relate to cash in transit at the end of the financial period. Agent fees rate is 19% of all collections subject to certain conditions as per Service level Agreement and National Road Traffic Act No. 93 of 1996.

Total collections for the year is R 17,502,773.

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R4 248 411 (2023: R4 032 152).

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]