



Ntabankulu Local Municipality
Financial Statements
for the year ended 30 June 2021

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2021

Ntabankulu Local Municipality
Financial Statements for the year ended 30 June 2021
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Abbreviations

ASSA	Actuarial Society of South Africa
BTO	Budget and Treasury Office
COGTA	Cooperative Governance and Traditional Affairs
CPI	Consumer Price Index
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism
DSRAC	Department of Sport, Recreation, Arts and Culture
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Program
IPD	Infrastructure, Planning and Development
LED	Local Economic Development
MPCC	Multi-purpose Community Centre
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
SALGA	South African Local Government Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
COVID-19	Corona Virus Diseases 2019

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Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

Municipality

Nature of business and principal activities

Ntabankulu Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

Municipal Councillors

Cllr PT Sobuthongo: Mayor

Cllr V Matwasa: Speaker

Cllr S Menziwa: Chief Whip

EXCO Members

Cllr S Menziwa: Portfolio Head: Technical Services

Cllr N Pikwa: Portfolio Head: Community Services

Cllr S Sophaqa: Portfolio Head: Corporate Services

Cllr M Ndabeni: Portfolio Head: Development Planning

Cllr N T Mbonmtsha: Portfolio Head Budget and Treasury Services

Cllr N Ndoyisile

Cllr BZ Ndamase: MPAC Chairperson

Other Councillors

Cllr B Betwayo

Cllr M Madadasa

Cllr F Ntshela

Cllr Z Makhosonke

Cllr M Nqwazi

Cllr M Dinwayo

Cllr P Mafilika

Cllr B Ndlebe

Cllr M Gweqani

Cllr T Msuthu

Cllr N Sobuthongo

Cllr S Ncekana

Cllr K Nomanzoyiya- Deceased 19 July 2020

Cllr E Diko

Cllr T Lubisi

Cllr N Daniel

Cllr Z Mtyaphi

Cllr N Sithunzi

Cllr S Sicwayi

Cllr M Mkizwana

Cllr N Njiva

Cllr M Mkhandanisi

Cllr N Pezisa

Cllr M Tshaka

Cllr N.Ndamase

Cllr TR Luvela- Sworn in 31 August 2020

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Grading of the Municipality

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Accounting Officer

Ms L Nonyongo

Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

General Information

Chief Financial Officer (CFO)	Mrs XN Venn
Registered office	Erf 85 Main Street Ntabankulu 5130
Business address	Erf 85 Main Street Ntabankulu 5130
Postal address	P.O. Box 234 Ntabankulu 5130
Website	www.ntabankulu.gov.za
Auditors	Auditor General of South Africa Registered Auditors 63 Frere Road Vincent
Attorneys	Municipal Attorneys 1. Madlanga and Partners Inc Attorneys Office of Hyde Park, 1st Floor , Block A 2nd road, Strouthos place Hyde Park, Johannesburg 2. Guzana Inc Attorneys 4 Kort Street Carolina 1185 3. Vuba Attorneys 28 Guller Street Butterworth Deseased and terminated 25 March 2021 4. TL Luzipho Attorneys 26 Cnr Madeira and Veronica Street 1st Floor Steve Motors Building Mithatha 5099
Bankers	First National Bank 151 York Road, Mithatha

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Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

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 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 30 June 2021 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.

The 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 Accounting Officer acknowledges that she 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, she 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The Accounting officer has reviewed the Municipality's cash flow forecast for the year 30 June 2022, taking into consideration the subsequent event that occurred on the 04th of October 2021, whereby a Court Order was received from First National Bank, directing the Sheriff to attach and take into execution the Municipality's primary bank account and cause the bank to release payment of the sum amount of R26 039 553.01 in relation to the amount owed to SAMWU Pension Fund for the employee contributions and interest.

Municipal cash-flows for the year ending 30 June 2022 have been negatively impacted by this and the Municipality has developed a Draft Financial Recovery Plan to ensure that Municipal objectives are met within the reduced available resources. The IDP, Budget and the Service-Delivery and Budget Implementation Plan will be revised in line with Section 72 of the MFMA to take into consideration the status quo of Municipal Finances. Grant funded projects have not been affected by the Court Order.

The financial statements set out on pages 9 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by:


Miss L. Nonyengo
Accounting Officer

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Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Audit Committee Report

We are pleased to present our report for the year ended 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed here under and should meet 4 times per annum as per its approved terms of reference. During the current financial year 7 meetings were held.

Name of member	Number of ordinary meetings attended	Number of special meetings attended
Mr G Labane (Chairperson)	4	3
Ms B Jojo	4	2
Mr Z Zulu	4	3
Ms K J Tubane	4	3

Currently there are 4 Audit and Performance Committee members

Mr Mxolisi Nkosi resigned on the 6th of October 2020, he did not attend any meeting during 2020/2021 Financial year.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

Overview

In adherence to the terms of the MFMA, the Audit Committee established and defined its composition, purpose and duties in the Audit Committee Charter. The Audit Committee reports that it complies with all legal and regulatory requirements as necessary under South African legislation. In fulfilling its duties, the Audit Committee:

- approved the internal audit plan;
- received and considered reports from internal auditors; and
- reviewed and discussed the Annual Financial Statements with the Accounting Officer and the Chief Financial Officer.

Following a review conducted by the Internal Audit Unit, and meeting the requirements of the terms of reference, the committee is satisfied that:

- Internal financial controls are effective however, not all material weaknesses in financial control have been identified; and
- The co-sourced internal audit function performed their duties as per the terms of reference contained in the Internal Audit Charter and addressed all components of the Internal Audit Plan and the external auditors of the municipality (Auditor General of South Africa), are independent.

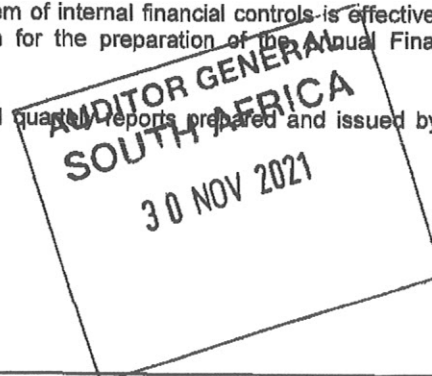
Internal Audit

Ntabankulu Local Municipality has a co-sourced Internal Audit Function. The Internal Audit Function provides the Audit Committee with assurance on the key areas of Ntabankulu Local Municipality's systems of internal control and risk management. The Internal Audit Plan and the Internal Audit Charter are annually reviewed and approved by the Audit Committee. Internal Audit provides assurance that Ntabankulu Local Municipality operates in a responsibly governed manner by performing the following functions:

- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit Committee.

The Audit committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the municipality during the year under review.



Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Audit Committee Report

Evaluation of the annual financial statements

The Audit Committee has reviewed the Annual Financial Statements ended 30 June 2021 and concluded that it complies, in all material respects, with the requirements of GRAP. The committee recommended the approval of the Annual Financial Statements.

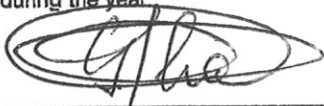
Furthermore, the Audit Committee recommended the adoption of the Annual Financial Statements. In this regard, the Committee:

- > Considered all facts and risks that may impact on the integrity of the Annual Financial Statements; and
- > Reviewed and commented on the Annual Financial Statements.

The Accounting Officer subsequently approved the Annual Financial Statements.

Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year.



Chairperson of the Audit Committee

Date: _____

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Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

Ntabankulu local municipality is a South African Category B municipality (local municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

The operating results for the year are fully set out in the attached Annual Financial Statements and do not in my opinion require any further comment.

Net surplus of the municipality is R 16 291 389 (2020: deficit R 33 295 312).

2. Going concern

The 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.

3. Subsequent events

The Accounting officer has reviewed the Municipality's cash flow forecast for the year 30 June 2022, taking into consideration the subsequent event that occurred on the 04th of October 2021, whereby a Court Order was received from First National Bank, directing the Sheriff to attach and take into execution the Municipality's primary bank account and cause the bank to release payment of the sum amount of R26 039 553.01 in relation to the amount owed to SAMWU Pension Fund for the employee contributions and interest.

Municipal cash-flows for the year ending 30 June 2022 have been negatively impacted by this and the Municipality has developed a Draft Financial Recovery Plan to ensure that Municipal objectives are met within the reduced available resources. The IDP, Budget and the Service-Delivery and Budget Implementation Plan will be revised in line with Section 72 of the MFMA to take into consideration the status quo of Municipal Finances. Grant funded projects have not been affected by the Court Order.

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Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	515 807	952 016
Receivables from exchange transactions	4	1 603 078	837 817
Receivables from non-exchange transactions	5	9 923 971	29 384 994
Statutory receivables	6	7 956 177	12 778 258
Cash and cash equivalents	7	35 035 979	5 154 719
		55 035 012	49 107 804
Non-Current Assets			
Investment property	8	36 451 774	31 207 652
Property, plant and equipment	9	346 669 487	337 163 670
		383 121 261	368 371 322
Total Assets		438 156 273	417 479 126
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	27 741 471	20 760 094
Unspent conditional grants and receipts	12	184 521	156 573
Payables from non exchange transactions	13	39 982 720	43 910 972
Long service awards	11	435 616	234 108
		68 344 328	65 061 747
Non-Current Liabilities			
Provisions	14	1 165 560	808 131
Long service awards	11	3 111 781	2 366 037
		4 277 341	3 174 168
Total Liabilities		72 621 669	68 235 915
Net Assets		365 534 604	349 243 211
Accumulated surplus		365 534 604	349 243 211

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* See Note 49

Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Statement of Financial Performance for the period ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	634 963	600 251
Rental of facilities and equipment	17	528 462	557 087
Interest received	18	2 572 459	3 069 993
Licences and permits	19	653 729	703 834
Sundry income	20	357 021	613 479
Total revenue from exchange transactions		4 746 634	5 544 644
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	14 575 095	12 621 688
Interest received MEPF	22	467 643	2 792 826
Transfer revenue			
Government grants & subsidies	23	199 825 652	201 820 993
Fines	24	662 900	835 300
Total revenue from non-exchange transactions		215 531 290	218 070 807
Total revenue	15	220 277 924	223 615 451
Expenditure			
Employee related costs	25	(75 786 903)	(66 318 377)
Remuneration of councillors	26	(12 130 957)	(11 653 587)
Depreciation and amortisation	27	(20 455 324)	(18 355 863)
Interest and penalties paid	28	(5 022 735)	(6 069 543)
Lease rentals on operating lease	29	-	(160 806)
Contribution allowance for impairment	30	(7 215 331)	(2 587 929)
Interest written off	6	-	(997 231)
General expenses	31	(58 933 996)	(52 396 950)
Repairs and maintenance	32	(6 355 167)	(3 899 152)
Auditors fees	33	(3 957 967)	(3 171 482)
Completed electrification transferred	34	(12 806 029)	(92 176 702)
Total expenditure		(202 664 409)	(257 787 622)
Operating surplus (deficit)		17 613 515	(34 172 171)
Profit/(loss) on disposal of assets	35	-	247 257
Decrease/(increase) in provision for landfill site	14	(322 033)	455 076
Fair value adjustments	36	5 248 536	3 119 324
Actuarial gains/(losses)	11	(669 617)	117 925
Asset write off and investment property transfers	8&9	(4 142 062)	(7 117 726)
Inventory written off	3	-	(102 934)
Impairment loss: Infrastructure assets	9	(1 436 950)	(380 488)
		(1 322 126)	(3 661 566)
Surplus (deficit) for the year		16 291 389	(37 833 737)

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* See Note 49

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Statement of Changes in Net Assets for the period ended 30 June 2021

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	398 129 559	398 129 559
Adjustments		
Prior year adjustments - Note 49	(11 052 618)	(11 052 618)
Balance at 01 July 2019 as restated*	387 076 948	387 076 948
Changes in net assets		
Deficit for the year	(33 295 312)	(33 295 312)
Prior period error- Note 49	(4 538 425)	(4 538 425)
Total changes	(37 833 737)	(37 833 737)
Restated* Balance at 01 July 2020	349 243 215	349 243 215
Changes in net assets		
Surplus for the year	16 291 389	16 291 389
Total changes	16 291 389	16 291 389
Balance at 30 June 2021	365 534 604	365 534 604

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* See Note 49

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Financial Statements for the year ended 30 June 2021

Cash Flow Statement for the period ended 30 June 2021

Figures in Rand

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		10 170 411	11 783 263
Service Charges		145 668	551 237
Operating Grants		170 054 290	124 350 004
Capital Grants		41 584 000	61 686 007
Other Income		19 887 706	1 216 708
Rental		-	513 023
Interest Income		1 433 616	2 072 762
Fines		158 300	561 254
		243 433 991	202 734 258
Payments			
Suppliers and Employee costs		(177 438 649)	(143 267 974)
Interest and penalties paid		(412 187)	(162 791)
Net cash flows from operating activities	37	65 583 155	59 303 493
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(35 701 895)	(73 757 690)
Profit/(Loss) from sale of property, plant and equipment		-	247 262
Net cash flows from investing activities		(35 701 895)	(73 510 428)
Net increase/(decrease) in cash and cash equivalents		29 881 260	(14 206 935)
Cash and cash equivalents at the beginning of the year		5 154 719	19 361 654
Cash and cash equivalents at the end of the year	7	35 035 979	5 154 719

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* See Note 49

Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sundry income	475 000	(7 700)	467 300	357 021	(110 279)	4
Service charges	314 700	-	314 700	634 963	320 263	1
Rental of facilities and equipment	1 530 000	-	1 530 000	528 462	(1 001 538)	2
Rendering of services	810 000	192 000	1 002 000	-	(1 002 000)	3
Licences and permits	2 625 000	(1 962 000)	663 000	653 729	(9 271)	
Interest received - investments	1 500 000	(200 000)	1 300 000	1 433 616	133 616	6
Interest received MEPF	-	-	-	467 643	467 643	21
Interest on trade and other receivables	-	200 000	200 000	1 138 843	938 843	5
Total revenue from exchange transactions	7 254 700	(1 777 700)	5 477 000	5 214 277	(262 723)	

Revenue from non-exchange transactions

Taxation revenue						
Property rates	12 063 320	2 100 000	14 163 320	14 575 095	411 775	im
Interest, Dividends and Rent on Land	-	-	-	467 643	467 643	
Transfer revenue						
Government grants & subsidies	187 326 000	28 210 645	215 536 645	199 825 652	(15 710 993)	7
Fines, Penalties and Forfeits	-	100 000	100 000	662 900	562 900	8
Total revenue from non-exchange transactions	199 389 320	30 410 645	229 799 965	215 531 290	(14 268 675)	
Total revenue	206 644 020	28 632 945	235 276 965	220 745 567	(14 531 398)	

Expenditure

Employee related costs	(73 815 462)	(18 867 608)	(92 683 070)	(75 786 903)	16 896 167	9
Remuneration of councillors	(13 686 498)	1 546 228	(12 140 270)	(12 130 957)	9 313	im
Depreciation and amortisation	(20 980 000)	209 196	(20 770 804)	(20 455 324)	315 480	im
Finance costs	(100 000)	(943 156)	(1 043 156)	(5 022 735)	(3 979 579)	20
Debt Impairment	(2 727 400)	(2 500 000)	(5 227 400)	(7 215 331)	(1 987 931)	10
Bad debts written off	(600 000)	-	(600 000)	-	600 000	11
Loss on disposal of assets	(300 000)	-	(300 000)	-	300 000	12
General Expenses	(70 779 303)	(259 707)	(71 039 010)	(58 933 908)	12 105 102	13
Repairs and maintenance	(4 616 750)	(1 851 758)	(6 468 508)	(6 365 167)	113 341	im
Audit fees	(4 000 000)	41 142	(3 958 858)	(3 987 187)	891	im
Completed electrification transferred	(10 490 000)	(1 518 050)	(12 008 050)	(12 906 029)	(897 979)	im
Total expenditure	(202 095 413)	(24 143 713)	(226 239 126)	(202 664 409)	23 574 717	
Operating surplus	4 548 607	4 489 232	9 037 839	18 081 158	9 043 319	
(Increase)/decrease landfill site provision	1 049 000	-	1 049 000	(322 033)	(1 371 033)	18
Fair value adjustment	-	5 300 000	5 300 000	5 248 536	(51 464)	im

Ntabankulu Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/(losses)	-	(700 000)	(700 000)	(669 617)	30 383	im
Proceeds from disposal of assets	150 000	150 000	300 000	-	(300 000)	
Asset write off	-	-	-	(4 142 062)	(4 142 062)	19
Impairment loss: Infrastructure assets	-	(1 436 950)	(1 436 950)	(1 436 950)	-	
	1 199 000	3 313 050	4 512 050	(1 322 126)	(5 834 176)	
Surplus before taxation	5 747 607	7 802 282	13 549 889	16 759 032	3 209 143	
Deficit for the year from continuing operations	5 747 607	7 802 282	13 549 889	16 759 032	3 209 143	
VAT Recovery	8 000 000	4 100 000	12 100 000	15 091 246	2 991 246	14
Transfer from internal reserves	45 585 950	4 510 000	50 095 950	-	(50 095 950)	15
Capital Expenditure	(48 142 220)	(32 784 490)	(80 926 710)	(35 701 895)	45 224 815	17
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	11 191 337	(16 372 208)	(5 180 871)	(3 851 617)	1 329 254	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

im = Immaterial variances

Material budget variances

1. Service charges

The variance is due to realistic budgeting for the actual revenue to be received instead of billed revenue. Basing revenue on billable might cause cash flow problems. The variance is due to the municipality basing the budget on the actual cash expected to be received from customers rather than the revenue billed. Due to Covid 19 pandemic, we had anticipated to receive less service revenue as lots of people lost their jobs.

2. Rental of facilities

Under-collection was due to Covid 19 which prohibited gatherings and events to be held. Due to a long period of working from home, the lease agreements between the Municipality and the Department of Public Works was not signed and therefore the rentals were not paid as there was no binding agreement.

3. Services rendered

The minimum amount collected for services rendered was due to late appointment of Estate Management company that has to assist the municipality in ensuring that the budgeted revenue collection was achieved.

4. Sundry income

The variance was caused by lower turn-up by contractors procuring tender documents, also, Covid 19 regulations limited movement and at times there were complete closure of municipal non-essential activities, leading to lower revenue base.

5. Interest on trade and other receivables

Interest on outstanding debtors was budgeted based on the amount received trends. The percentage variance is 469%. The actual amount incurred includes the billing.

6. Interest from investments

The variance is due to budgeting that was based on the collection trends. The interest rates were lower than the previous financial period and therefore the interest amount received was lower than anticipated. Some of the grants were received late during the financial year.

7. Government Grants & Subsidies

The Municipality received all Government grants and subsidies anticipated in terms of DORA. The revenue was only recognised for the conditions met on conditional grants.

8. Fines, Penalties, and forfeits

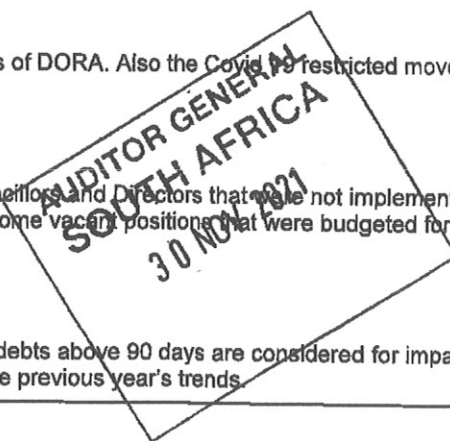
The variance is due to the inadequate implementation of by-laws in terms of DORA. Also the Covid 19 restricted movement of human beings and therefore limited the chances of offences.

9. Employee Related Costs

The variance is due to the expected salary increment for Municipal Councilors and Directors that were not implemented due to the Gazette upper limits not being issued during the year. Furthermore, some vacant positions that were budgeted for were not filled during the year.

10. Debt impairment

Debt impairment is based on the payment trends on each customer. All debts above 90 days are considered for impairment based on the municipal policy. The budget for impairment is based on the previous year's trends.



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Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

11. Bad debts written-off

The Municipality did not write off any debt during the year under review. The Debt-Collector was appointed and all debt above 90 days was handed over. The write off processes will be recommended after the payment trends have been closely monitored to ensure that each case is treated based on its merits.

12. Loss on disposal of assets

The municipality did not dispose any assets during the financial year.

13. General expenses

The budget was done according to the planned projects. There were some delays in some projects due to COVID regulations.

14. VAT recovery

The Municipality budgeted R12 100 000 and received R15 091 246 and the difference is due to the outstanding debt owed by SARS in the previous financial year that was due to be received in the current year.

15. Transfers from internal reserves

The internal reserves is used to fund the non-cash items. There are no cash backed revues at the Municipal Bank Account for this revenue. It is a non-cash revenue.

16. Proceeds on disposal

The municipal auctioneer was not appointed as planned and therefore the formal disposal of assets was not conducted.

17. Capital Expenditure

Capital budget is inclusive of VAT and the amount recognised for expenditure is exclusive of VAT. There is a Principal Agent Relationship payable from the department of Human Settlements R 11 784 689.88 and an amount of R10 593 814.01 that was budget for the construction of Traffic offices that were unspent at year-end. Major grants for the Municipality including INEP and MIG were fully spent at year end and therefore conditions for the grants were met as at 30 June 2021

18. Increase or decrease in landfill site provision

The variance is caused by budget being calculated on the provision calculation trends. The movement increased the variance.

19. Asset Write-Off

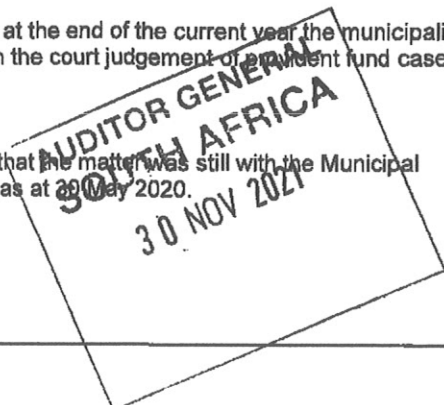
There was no budget for Asset write-offs for the financial period.

20. Finance Costs

The finance cost budget calculation was based on the actual trends. However at the end of the current year the municipality discovered that there were finance costs due. The additional interests arose from the court judgement of a prevalent fund case.

21. Interest Received from MEPF

The interest received from MEPF was not budgeted for, this is due to the fact that the matter was still with the Municipal attorneys and the amount for the receivable and the interest was not finalised as at 30 May 2020.



Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Financial Statements

The 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 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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These 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.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

Trade receivables, loans and other receivables

Impairment testing

In calculating the impairment loss for receivables, the following were considered:

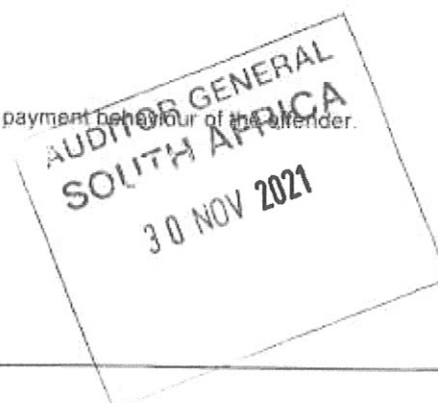
The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults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

- The payments received from receivables for the year, with the exception of traffic fines.
- The age of the debt
- Current and 30 days were considered not to have past due date
- Receivables who were 60 days old were considered to be past due date but were not impaired

The municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release of the impairment loss for receivables has been included in the Statement of Financial Performance.

For traffic fines the following additional assumptions are considered;

- > Each individual ticket fine is considered as a receivable when it is raised.
- > Impairment calculation will be based on the ticket fine raised and not on the payment behaviour of the offender.



Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation – Financial Instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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.

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that Receivables are impaired. The impairment is measured as the difference between the Receivables carrying amount and Receivables recoverable amounts.

Contingent Liabilities and Contingent Assets

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements

Residual Values, useful lives and impairment of Property Plant and Equipment

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually.

Where significant parts (components of an item of property, plant and equipment) have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying amount exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

Allowance for doubtful debts

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise properties held for earning rental income or for capital appreciation or both. This does not include properties held for the supply of services or for administrative purposes.

Investment Property is measured initially at its cost (transaction costs shall be included in this initial measurement). Where an Investment Property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. After initial recognition, investment property is held at the fair value model except in cases where the municipality cannot reliably determine the fair value thereof.

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of derecognition.

Fair value - Investment Property

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.

If the Municipality determines that the fair value of an investment property under construction is not reliably determinable it is expected that the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If it determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, that investment property will be measured using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The Municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the Municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Property, Plant & Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised if the cost can be measured reliably and it is probable that the future economic benefits associated with the item will flow to the municipality. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the municipality recognises such part as individual assets with specific useful live and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance expenditure is recognised as an expense in the year it is incurred.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Municipality does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life.

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Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight line basis over the estimated useful life of each part of the Property, Plant and Equipment from when it is available to operate as intended by management.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25 - 30 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	4 - 7 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	3 - 5 Years
Computer software	Straight line	2 - 5 Years
Infrastructure		
Landfill site	Straight line	30 - 55 years
Culverts and ditch drains	Straight line	20 - 60 years
Traffic signs	Straight line	5 - 20 years
Electricity infrastructure	Straight line	15 - 40 years
Traffic barriers	Straight line	10 - 30 years
Roads & paving	Straight line	10 - 50 years
Recreational facilities	Straight line	10 - 60 years
Bridges	Straight line	60 - 80 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating surplus. Items or part of an item of property, plant and equipment are derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Financial instruments

Financial assets and liabilities are recognised on the municipality's statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value at date of acquisition. Subsequent to initial recognition financial instruments are measured as set out below;

Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the municipality assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the statement of financial performance, when there is objective evidence that the municipality will not be able to collect all amounts due, in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The municipality takes the impairment of trade receivables directly to the carrying amount of the asset and recognises the impairment in profit and loss.

Receivables from non-exchange transaction

Receivables from non-exchange transactions arise through a contractual commitment by a third party to transact with the municipality, without the municipality giving the third party any value that approximates the contractual amount. Receivables from non-exchange are subsequently measured at cost, where cost is the amount contractually receivable.

Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. However, due to their short-term nature, the amortised cost normally approximates its fair value.

Financial liabilities at amortised cost

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the municipality become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the statement of financial position over the period of the borrowings as interest.

Payables from exchange transactions and unspent conditional grants liabilities

Payables from exchange transactions are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Payables from non-exchange transactions

Payables from non-exchange transactions arise when the municipality has an obligation to return the grant funds and/or receipts transferred to it by any third parties, through a non-exchange transaction, if conditions of the grant have not been met (conditional grants). A non-exchange transaction is a transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

When funds are received as per stipulations of the grant contract, they give rise to a present obligation. A present obligation arising from a non-exchange transaction, that meets the definition of a liability shall be recognised as a liability when, and only when: it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Payables from exchange transactions are initially measured at fair value and are subsequently measured at cost. Where fair value is the best estimate of the amount required to settle the present obligation at the reporting date and cost is the cashoutflow payable to the third upon unsuccessful discharge of grant conditions.

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 and/or expenditure, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legal enforceable right to set-off the recognised amounts, and the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

A financial asset, or portion of a financial asset, is derecognised where:

- The rights to receive cash flows from the asset have expired
- The municipality has transferred the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without any material delay to a third party;
- The municipality has transferred substantially all the risks and rewards of the asset; and
- The municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those financial assets classified as fair value through the statement of financial performance, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the surplus or deficit.

1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

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

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

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories acquired through an exchange transaction are initially stated at cost. 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. Cost is determined using the First In First Out method. Inventories acquired through a non-exchange transaction are initially measured at fair value as at the date of acquisition.

All inventories are subsequently measured at lower of cost and net realisable value. The net realisable value of inventories is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

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.

1.9 Impairment of cash-generating assets

At each reporting date, the Municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the statement of financial performance. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

1.10 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.

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.

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.

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.

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Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Employee benefits

Long-service bonus awards employment benefit

Long service employment benefit

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years. The liability recognised in respect of the long-service bonus awards is the present value of the obligation at the reporting date. The benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance, in the period in which they arise. Current service costs are recognised immediately in surplus and deficit.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the Statement of Financial Performance. A provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Value Added Tax (VAT)

The Ntabankulu Local Municipality is a registered VAT Vendor in terms of the VAT Act of 1991.

Ntabankulu Local Municipality

Financial Statements for the year ended 30 June 2021

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1.13 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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Accounting Policies

1.14 Commitments

Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance as risks and rewards of ownership has not been transferred to the municipality prior delivery therein. However, are disclosed as part of the disclosure notes.

The commitments disclosed in the disclosure note are the aggregate amount of capital and current expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements. A distinction is made between capital and current commitments

Other commitments for which disclosure is necessary to achieve a fair presentation will be disclosed in a note if both the following criteria are met:

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

1.15 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipalities activities. Revenue is reduced for customer returns, rebates and other similar allowances.

Service charges and licenses and permits are recognised in the statement of financial performance when the significant risks and rewards of ownership have been transferred to the customer.

Revenue from services rendered is recognised by reference to stage of completion.

Commission income is recognised in the statement of financial performance as revenue when it becomes due to the municipality.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Rental of facilities and equipment revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions arise where the municipality will receive resources and provide no or nominal consideration directly in return. These constitute government grants, property rates, fines and penalties.

Government grants pertain to funds and/or subsidies received or receivable by the municipality from other state organs. These include conditional and non-conditional grants. Conditional grants arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. Non-conditional grants are grants received or receivable, for the municipality's operational needs, with no obligation to pay cash or another financial asset to the grantor.

Non-conditional government grants are recognised as revenue when received and conditional government grants received and recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow, the revenue shall be measured at the amount of the increase in net assets recognised by the entity.

Subsequently, as an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset or expense, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

Property rates satisfy the definition of "non-exchange transaction", because the homeowner transfers resources to the government without receiving approximately equal value directly in exchange.

An Municipality shall recognise an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met and, to the extent that an asset (cash or receivables) is recognised, the municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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1.16 Revenue from non-exchange transactions (continued)

Fines and penalties are economic benefits or service potential received or receivable by an entity from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. And, to the extent that an asset is recognised, the municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

In instances where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment thus received or receivable shall be recognised as fine revenue.

1.17 Investment Income

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

1.18 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.

1.19 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.

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1.19 Accounting by principals and agents (continued)

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 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.

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.

1.20 Comparative figures

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

1.21 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.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1999), or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in note 45

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1.24 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

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1.25 Budget information

Municipalities 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The 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.

1.26 Related parties

The municipality, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The municipality is presumed to be related to all other government entities within the national sphere by virtue of its classification as a Category B municipality. Only transactions that are not carried out on an arms' length basis are disclosed. Key personnel are limited to the S56 employees only.

1.27 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 is not aware of any events after the reporting dates.

1.28 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.

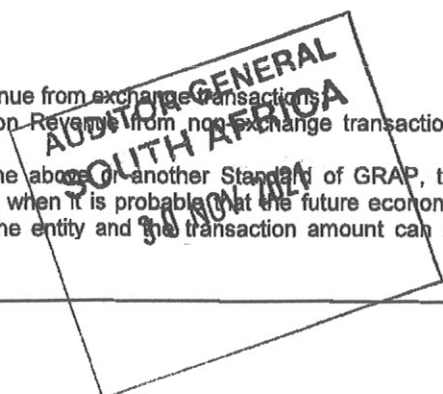
Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) 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.



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1.28 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount. The statutory receivables shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard.

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.

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 municipality:
 - derecognises the receivable; and
 - recognises 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.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the municipality expects to receive. The cash flows are discounted if the time value of money is material. While there are specific indicators that identify the need to assess if an impairment loss exists, municipalities should also consider the effect of delayed payment and whether this affects the carrying amount of the receivable.

1.29 Non-Living Resources

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, is not recognised as assets. The Standard only requires disclosure of the relevant resources.

The Municipality has assessed that it does not control any living resources, but is however responsible for non-living resources asset out in notes to the financial statements.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2020	The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 20: Adjustments to Revenue	01 April 2020	The impact of the standard is not material.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of the standard is not material.

2.2 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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	No effective date	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	No effective date	Unlikely there will be a material impact

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3. Inventories

Consumables 515 807 952 016

Inventory written off - 102 934

Inventories recognised as an expense during the year 1 691 810 562 724
Electrification transferred 12 806 029 -

Included in inventory consumed is an amount of R12 806 029 that relates to the electrification projects that were constructed and completed by the Municipality within twelve months and were transferred over to Eskom as the custodian of Electricity Function as per the agreements signed by the Municipality, the Department of Energy and Eskom. Also included in inventory consumed are the inventories that were recognised as an expense during the year.

Inventory pledged as security

No inventory was pledged as security.

4. Receivables from exchange transactions

Rentals receivables	1 994 089	1 435 361
Refuse receivables	2 885 313	2 396 018
Sundry receivables	1 429 844	331 140
Allowance for impairment - refuse	(2 637 538)	(2 174 430)
Allowance for impairment - rentals	(1 843 748)	(925 390)
Allowance for impairment - sundry	(224 882)	(224 882)
	1 603 078	837 817

Receivables from exchange transactions pledged as security

No receivables from exchange transaction are pledged as security

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 599 338 (2020: R 101 293) were past due but not impaired.

The ageing of receivables from exchange transactions is as follows:

June 2021	Refuse	Rentals	Sundry	Total
Current-30 days	57 150	50 713	98 065	205 928
31-60 days	55 012	47 900	290 498	393 410
61-90 days	54 555	46 945	316 936	418 436
91-120 days	54 373	46 906	341 933	443 212
121-150 days	53 517	46 880	26 569	126 966
151 - 180 days	53 276	46 792	24 841	124 909
> 180 days	2 557 401	1 707 891	331 002	4 596 294
	2 885 284	1 994 027	1 429 844	6 309 155

June 2020	Refuse	Rental	Sundry	Total
Current-30 days	56 008	47 360	106 257	209 625
31-60 days	54 972	47 067	-	102 039
61-90 days	54 699	46 921	-	101 620
91-120 days	53 887	46 893	-	100 570
121-150 days	53 560	46 854	-	100 214
151 - 180 days	52 657	46 854	-	99 311
> 180 days	2 070 235	1 154 922	224 882	3 449 139
	2 396 018	1 435 361	3 038 139	4 162 518

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4. Receivables from exchange transactions (continued)

Trade and other receivables allowance for impairment

As of 30 June 2021, the contribution towards allowance for impairment amounted to of R 1 381 466 (2020: R 726 896)

The amount is made up of the following:

	June 2021	June 2020
Rental	918 358	75 985
Refuse	463 108	426 028
Sundry	-	224 882

Reconciliation of provision for impairment of trade and other receivables

Opening balance	3 324 702	2 597 806
Provision for impairment	1 381 466	726 896
	4 706 168	3 324 702

5. Receivables from non-exchange transactions

MEPF Debtor	9 923 971	29 384 994
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The amount relates to contributions incorrectly paid to MEPF instead of SAMWU and interest charged. Refer to Note 49.

No receivable from non-exchange transactions are pledged as security.

6. Statutory receivables

VAT Receivables	3 821 154	8 834 363
Customer receivable - Rates	21 314 584	16 886 039
Customer receivable - Interest	5 116 531	5 021 914
Interest written off	-	(997 231)
Customer receivable - Traffic fines	3 557 689	3 053 089
Allowance for impairment - Rates	(17 989 719)	(13 607 536)
Allowance for impairment - Interest	(4 806 419)	(3 767 737)
Allowance for impairment - Traffic fines	(3 057 643)	(2 644 643)
	7 956 177	12 778 258

Statutory receivables pledged as security

No statutory receivables are pledged as security

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6. Statutory receivables (continued)

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered for allowance for impairment. At 30 June 2021, R 1 63 6458 (2020: R 640 143) were past due but not impaired.

The ageing of statutory receivables is as follows:

June 2021	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	702 438	105 801	55 100	863 339
31-60 days	636 076	103 343	33 700	773 119
61-90 days	616 980	100 753	47 500	765 233
91-120 days	614 805	98 400	43 200	756 405
121 - 150 days	607 630	96 100	44 700	748 430
151-180 days	563 652	93 543	63 400	720 595
> 180 days	17 573 117	4 518 602	3 270 089	25 361 808
	21 314 698	5 116 542	3 557 689	29 988 929

June 2020	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	595 697	86 386	33 800	715 883
31-60 days	565 644	84 300	19 500	669 444
61-90 days	537 801	80 593	25 300	643 694
91-120 days	535 059	78 150	46 000	659 209
121-150 days	527 421	75 985	36 900	640 306
151-180 days	474 343	74 179	38 100	586 622
> 180 days	13 650 074	3 539 461	2 853 489	20 043 024
	16 886 039	4 019 054	3 053 089	23 958 182

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6. Statutory receivables (continued)

Statutory receivables allowance for impairment

The current year contribution to allowance for impairment loss amounted to R 5 833 865 (2020: R 1 860 313).

The contribution to allowance for impairment is made up of the following:

	2021	2020
Rates	4 382 183	1 204 773
Traffic fines	413 000	222 453
Customer interest	1 038 682	433 087

Reconciliation of provision for impairment of statutory receivables

Opening balance	20 019 196	18 158 883
Increase in provision for impairment	5 833 865	1 860 313
	25 853 061	20 019 196

The following prescripts authorises the municipality to charge and collect funds to fund its mandate. The resulting receivables are therefore classified as statutory receivables to be disclosed as such under GRAP 108 disclosures. These are:

- Section 229(1) of the Constitution of the Republic of South Africa
- Municipal Systems Act
- Section 75A of the Systems Act
- Section 74(1) of the Systems Act
- Section 75(1) of the Systems Act
- Section 75(2) of the Systems Act
- Value Added Tax Act
- Municipal Properties Rates Act
- Administrative Adjudication of Road Traffic Offences Act

The following statutory receivables have been identified by the municipality:

Non-exchange transactions:

- VAT receivable.
- Rates receivables.
- Traffic fines receivables.
- Interest on outstanding refuse and rates payments.

The method to determine the amount chargeable for the above transactions are documented in Annexure I of the Ntabankulu Local Municipality Tariffs Policy which is promulgated and approved annually.

All interest on overdue accounts is charged at an interest rate of 5% per annum as per par 6.5 of the Ntabankulu Local Municipality Credit control and debt collection policy. During the current year, no interest charges were written off by Council.

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	48 302	40 372
Bank balances	6 069 428	335 862
Investment balances	28 918 249	4 778 485
	35 035 979	5 154 719

Cash at bank earns interest at floating rates based on daily deposit rates. Short term deposit are made for varying periods, depending on the immediate cash requirements and interest at respective short term deposit rate. The municipal accounts are held at FNB.

Cash on hand is made up of petty cash and cash on hand.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Main Account: Current	1 556 497	4 474 929	1 131 638	6 069 428	335 862	1 131 636
Operations - Call Account	12 594 469	1 054	1 000	10 279 938	1 054	1 000
VAT Call Account	3 877 082	1 000	1 000	3 877 082	1 000	1 000
Credit Account- FNB	-	857	-	-	-	-
Municipal Support Institution - FNB Call Account	509 861	1 000	1 000	509 861	1 000	1 000
Grant accounts						
INEP - FNB Call Account	2 720 521	400 000	3 146 691	183 066	400 000	3 146 691
FMG - FNB Call Account	1 000	1 000	1 000	1 000	1 000	1 000
MIG - FNB Call Account	1 748 724	8 329 077	14 896 140	2 087 843	3 981 928	14 896 140
DEDEAT - FNB Call Account	-	1 031	1 000	6	1 029	1 000
DSRAC - FNB Call Account	1 000	180 372	50 200	1 000	180 372	50 200
EPWP - FNB Call Account	1 398	1 398	1 000	1 398	1 398	1 000
Solidarity Fund- FNB Cheque Account	369	1 000	-	369	1 000	-
Traffic Fines - FNB Call Account	1 000	1 050	1 007	1 000	1 050	1 007
Solidarity Fund- FNB Money on Call Account	130 298	128 318	-	130 298	128 318	-
Municipal Disaster Management- FNB Money on Call Account	-	417 295	-	-	1 295	-
Small Town Revitalisation - FNB Call Account	1 002	74 455	74 303	1 002	74 455	74 303
COGTA - Electrification - FNB Call Account	-	3 634	3 482	6	3 634	3 439
Human Settlements- FNB Call Account	11 844 453	-	-	11 844 453	-	-
Total	34 987 674	14 017 470	19 309 461	34 987 750	5 114 395	19 309 416

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8. Investment property

	2021		2020	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	36 451 774	- 36 451 774	31 207 652	- 31 207 652

Reconciliation of investment property - June 2021

	Fair Value at 01 July 2020	Transfers	Fair value adjustments	Fair Value at 30 June 2021
Investment property	31 207 652	(4 414)	5 248 536	36 451 774

Reconciliation of Investment Property - June 2020

	Fair Value at 01 July 2019	Transfers	Fair value adjustments	Fair Value at 30 June 2020
Investment property	29 220 228	(1 131 900)	3 119 324	31 207 652

Pledged as security

No items of investment property are pledged as security.

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. The investment property was valued during the 2021 financial year using Fair Value model as prescribed in GRAP 16. The determination of fair value was supported by market evidence. The fair value of the investment property was determined by an independent valuer who is registered as a professional associated valuer.

Investment property balance as at 30 June 2021 consists of both vacant land and improved properties. Properties that were found not to be owned by the Ntabankulu local municipality anymore as per the deeds office are transferred out of Investment Property.

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9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	192 272 483	(49 536 771)	142 735 712	137 700 369	(43 691 426)	94 008 943
Furniture & Office equipment	3 890 020	(2 848 554)	1 241 466	3 169 746	(2 430 854)	738 892
IT equipment	6 482 224	(3 872 478)	2 609 746	5 124 821	(2 922 495)	2 202 326
Infrastructure	253 242 682	(87 287 567)	165 955 115	190 307 213	(76 886 471)	113 420 742
Land	2 033 539	-	2 033 539	2 033 539	-	2 033 539
Landfill site	7 090 307	(722 671)	6 367 636	7 090 307	(580 906)	6 509 401
Machinery	1 654 219	(792 744)	861 475	1 177 186	(595 975)	581 211
Motor vehicles	10 237 045	(4 712 805)	5 524 240	5 988 916	(3 738 363)	2 250 553
Work in Progress	19 340 558	-	19 340 558	115 418 063	-	115 418 063
Total	496 243 077	(149 573 590)	346 669 487	468 010 160	(130 846 490)	337 163 670

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9. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Transfers	Write offs	Depreciation	Impairment loss	Total
Buildings	94 008 943	771 600	53 803 289	(1 331)	(5 525 669)	(321 120)	142 735 712
Furniture & Office equipment	738 892	761 747	-	(98)	(259 075)	-	1 241 466
IT equipment	2 202 326	1 460 695	-	(67 285)	(985 990)	-	2 609 746
Infrastructure	113 420 742	-	70 118 313	(4 096 495)	(12 371 615)	(1 115 830)	165 955 115
Land	2 033 539	-	-	-	-	-	2 033 539
Landfill site	6 509 401	-	-	-	(141 765)	-	6 367 636
Machinery	561 211	28 400	448 633	-	(196 769)	-	861 475
Motor vehicles	2 250 553	4 248 129	-	-	(974 442)	-	5 524 240
Work in Progress	115 418 063	28 431 324	(124 370 235)	(138 594)	-	-	19 340 558
	337 163 670	35 701 895	-	(4 303 803)	(20 455 325)	(1 436 950)	346 669 487

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Write offs	Depreciation	Impairment loss	Total
Buildings	78 327 683	-	-	20 034 820	-	(7 623)	(4 329 976)	(15 961)	94 008 943
Furniture & Office equipment	709 212	219 759	-	-	-	-	(190 079)	-	738 892
IT equipment	885 261	1 902 850	-	-	-	-	(585 785)	-	2 202 326
Infrastructure	99 762 038	-	-	26 487 874	-	(253 600)	(12 211 043)	(364 527)	113 420 742
Land	2 033 539	-	-	-	-	-	-	-	2 033 539
Landfill site	6 651 167	-	-	-	-	-	(141 766)	-	6 509 401
Machinery	748 888	-	-	-	-	-	(167 677)	-	581 211
Motor vehicles	1 848 456	1 129 727	(5)	-	-	-	(727 625)	-	2 250 553
Work in Progress	189 336 705	70 505 354	-	-	(138 699 396)	(5 724 600)	-	-	115 418 063
	380 302 949	73 757 690	(5)	46 522 694	(138 699 396)	(5 985 823)	(18 353 951)	(380 488)	337 163 670

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2021

2020

9. Property, plant and equipment (continued)

Project name and reasons for delays

2021

2020

Land and buildings

Small town revitalisation

7 261 422

7 043 470

The funder, Office of the Premier, withdrew their funding support. The municipality is now in an effort to seek funding support in other government institutions.

Dumsi Community Hall

2 606 850

The delay in completing the project at the projected practical completion date was due to the following three reasons; (1) roof that collapsed due to heavy storm on the 15 of March 2021, (2) the delay on the procurement of roofing material due to the high demand of timber material by the construction industry, and (3) The project has also been identified as the project where the R 310 000.00 budget cut by CoGTA to all municipalities will be taken from.]

Reconciliation of Work-in-Progress June 2021

	Infrastructure	Electrification	Buildings and other PPE	Machinery	Total
Opening balance	66 462 747	-	48 955 317	-	115 418 064
Additions/capital expenditure	17 167 097	-	11 264 227	-	28 431 324
Transfers out	(70 118 313)	-	(53 803 289)	(448 633)	(124 370 235)
WIP written off	-	-	(138 596)	-	(138 596)
	13 511 531	-	6 277 659	(448 633)	19 340 557

Reconciliation of Work-in-Progress June 2020

	Infrastructure	Electrification	Buildings and other PPE	Total
Opening balance	70 392 480	64 412 049	54 532 177	189 336 706
Additions/capital expenditure	19 914 367	30 893 234	19 697 753	70 505 354
Transfers out	(18 795 376)	(94 629 408)	(25 274 613)	(138 699 397)
Transferred to completed items	(5 048 724)	(675 875)	-	(5 724 599)
	66 462 747	-	48 955 317	115 418 064

Pledged as security

No items of property, plant and equipment are pledged as security.

Change in accounting estimate

The remaining useful lives of all assets were assessed during the year. Remaining useful lives of fully depreciated motor vehicles have been revised based on their conditional assessment as these assets are critical to the municipality's operations and service delivery objectives. The remaining useful lives of other fully depreciated movable assets were not revised as, by nature, are not critical to the municipality's operations. A change in accounting estimate was effected in relation to fully depreciated motor vehicles still in use. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R9 639,08. It resulted in decrease depreciation expense and increase in accumulated depreciation with the same amount.

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10. Payables from exchange transactions		
Trade payables	12 016 109	4 831 787
Receivables with credit balance	157 755	153 571
Accruals	2 631 795	1 856 424
Accrued leave pay	7 280 860	6 078 165
Accrued bonus	1 763 022	1 419 166
Retention fees	3 757 558	6 286 609
Staff creditors	134 372	134 372
	27 741 471	20 760 094

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11. Long service awards

An independent, statutory actuarial valuation is performed on an annual basis by One Pangaea Expertise & Solutions.

The long service award is determined using the Projected Unit Credit Method. This liability is based on actuarial assumptions about the future. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP 25.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	(2 600 145)	(2 662 040)
Current service cost	(308 130)	(332 225)
Current interest cost	(203 613)	(199 976)
Benefit payments	234 108	476 171
Actuarial gain (loss)	(669 617)	117 925
	(3 547 397)	(2 600 145)
Non-current liabilities	3 111 781	2 366 037
Current liabilities	435 616	234 108
	3 547 397	2 600 145

Net expense recognised in the statement of financial performance

Current service cost	(308 130)	(332 225)
Interest cost	(203 613)	(199 976)
Actuarial (gains) losses	(669 617)	117 925
Benefit payments*	234 108	476 171
	(947 252)	61 895

*The amount represents the actual benefit payments made during the year in respect of long service awards.

Key assumptions used

The key assumptions used in the valuation are as follows:

Discount rates used	8,49 %	8,20 %
Consumer Price Index (CPI)	3,85 %	3,16 %
Expected increase in salaries	5,85 %	4,16 %
Net discount rate	2,49 %	3,88 %

The discount rate is determined using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 8,49% per annum, and the yield on inflation-linked bonds of a similar term was about 2,99% per annum. This implies an underlying expectation of inflation of 4.85% per annum $([1 + 8.49\% - 0.5\%] / [1 + 2.99\%] - 1)$.

It is assumed that the salary inflation would exceed general inflation by 1.0% per annum i.e. 5,85% per annum.

The relative levels of the discount rate and salary inflation are important. The valuation assumes a net discount factor of 2,49% per annum $([1 + 8.49\%] / [1 + 5.85\%] - 1)$.

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11. Long service awards (continued)

Other assumptions

Demographic and mortality assumption

Normal retirement age (years)

Mortality

63
SA85-90

63
SA85-90

Withdrawals

Age

20

25

30

35

40

45

50

55

60+

Withdrawal
rates
(Female)

Withdrawal
rates
(Male)

16.0%

24.0%

12.0%

18.0%

10.0%

15.0%

8.0%

10.0%

6.0%

6.0%

4.0%

4.0%

2.0%

2.0%

1.0%

1.0%

0%

0%

Membership information

30 June 2021

30 June
2020

Number of employees

169

144

Average annual salary (R)

275 742

221092

Average age (years)

41.51

41.94

Average past service (years)

8.37

8.90

Benefit structure

Long Service
Bonus Awards
(Days
Accumulated)

Long Service
Bonus Awards
(% of Annual
Salary)

Determination of cash
bonus
R

Completed service (Years)

5

5

2%

$(5/250^* + 2\%) \times \text{Annual Salary}$

10

10

3%

$(10/250^* + 3\%) \times \text{Annual Salary}$

15

15

4%

$(15/250^* + 4\%) \times \text{Annual Salary}$

20

15

5%

$(15/250^* + 5\%) \times \text{Annual Salary}$

25, 30, 35, 40, and 45

15

6%

$(15/250^* + 6\%) \times \text{Annual Salary}$

*A day of accumulated leave is worth 1/250 of the annual salary.

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12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
EPWP	371	371
Free Basic Electricity - INEP	183 066	-
DSRAC	-	81 948
Small town revitalisation Grant	-	73 170
DEDEAT	1 084	1 084
	184 521	156 573

This liability relates to conditional grants, which arise where the municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. The values disclosed above represents funds received for which the municipality has not yet satisfied the grant conditions. The nature and extent of the government grants is recognised in the Financial Statements.

See note 23 for reconciliation of grants from National/Provincial Government.

13. Payables from non-exchange transactions

	June 2021	June 2020
Salaries third party payments	109 076	49 786
Receivables with credit balance	726 004	549 149
SAMWU Lawsuit* Refer to Note 49	27 362 950	43 312 037
Human Settlement grant Refer to Note 55	11 784 690	-
	39 982 720	43 910 972

* Payables were understated in the prior year by R43,312,037 due to a judgement that was delivered in court on 14 August 2018, the municipality receiving a letter from Wylie and Shepstone Attorneys demanding payment of the total contributions with interests on 4th August 2020. In the letter, SAMWU Provident Fund demanded that they be paid an amount totaling to R43,312,037

Human settlement grant relates to payables held by the municipality in respect of the principal agent agreement with the Eastern Cape Department of Human Settlement (ECDHS). The municipality is an agent in this relationship. Refer to Note 55

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14. Provisions

Provision - Landfill site	1 165 560	808 131
	1 165 560	808 131

Reconciliation of provisions - June 2021

	Opening Balance	Increase during the year	Change in discount factor	Total
Provision for landfill site	808 131	322 033	35 396	1 165 560

Reconciliation of provisions - June 2020

	Opening Balance	Increase during the year	Change in discount factor	Total
Provision for landfill site	1 223 682	(455 076)	39 525	808 131

The Ntabankulu landfill site is situated some 900 meters north of the Ntabankulu Central Business District. It is located on Portion 87 of ERF 1966 in the Ntabankulu Commonage. This landfill is licensed in terms of National Environmental Management Act. The landfill site has an area of 8 500 square metres. The expected closure year is 2066.

It is estimated that the site will not be rehabilitated within 1 year from reporting date and thus there are no short-term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate at 30 June 2021 was 9.94% p.a. The consumer price inflation of 6.03% p.a. was obtained from the differential between the averages of the Nominal Bond of 9.94% p.a. and the Real Bond 3.69% p.a. (Zero Yield Curves).

15. Revenue

Service charges	634 963	600 251
Rental of facilities and equipment	528 462	557 087
Licences and permits	653 729	703 834
Sundry revenue	357 021	613 479
Interest received	2 572 459	3 069 993
Property rates	14 575 095	12 621 688
Interest, Dividends and Rent on Land	467 643	2 792 826
Government grants and subsidies	199 825 652	201 820 993
Fines and penalties	662 900	835 300
	220 277 924	223 615 451

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	634 963	600 251
Rental of facilities and equipment	528 462	557 087
Licences and permits	653 729	703 834
Sundry income	357 021	613 479
Interest received - investment	2 572 459	3 069 993
	4 746 634	5 544 644

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15. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	14 575 095	12 621 688
Interest, Dividends and Rent on Land	467 643	2 792 826
Government grants and subsidies	199 825 652	201 820 993
Fines and penalties	662 900	835 300
	215 531 290	218 070 807
16. Service charges		
Refuse removal	634 963	600 251
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis. The tariffs are approved by council at the beginning of each financial year.		
17. Rental of facilities and equipment		
Premises		
Rental revenue from investment properties	528 462	527 119
Rental revenue from halls	-	29 968
	528 462	557 087
18. Interest received		
Interest revenue		
Interest received	1 433 619	2 072 762
Interest charged on trade and other receivables	1 138 840	997 231
	2 572 459	3 069 993
19. Licences and permits		
Traffic and business licence revenue	653 729	703 834
20. Sundry income		
Insurance income	-	84 279
Other municipal revenue	357 021	529 200
	357 021	613 479

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21. Property rates

Rates received

Residential	1 324 056	1 277 368
Commercial	1 342 891	1 277 410
State	11 900 930	10 060 154
Agricultural	7 218	6 756
	14 575 095	12 621 688

Valuations

The new general Valuation roll and the compulsory Supplementary Valuation Roll (SV1) was implemented on the 1st of July 2019.

In accordance with section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

22. Interest received MEPF

Interest - Received	467 643	2 792 826
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This relates to interest charged on MEPF Debtor which resulted from a SAMWU court case. Refer to note 49.

23. Government grants and subsidies

Operating grants

Equitable share	152 048 000	122 571 477
Finance Management Grant	2 800 000	2 435 784
Extended Public Works Programme	2 374 000	1 620 629
Municipal Disaster Relief Grant	-	417 000
DSRAC	581 948	468 243
LGSETA grant	547 600	-
	158 351 548	127 513 133

Capital grants

Municipal Infrastructure Grant	26 674 000	39 785 853
Electrification Grant - INEP	14 726 934	30 000 000
Provincial Treasury internal streets	-	4 522 007
Small town Revitalisation Grant	73 170	-
	41 474 104	74 307 860
	199 825 652	201 820 993

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	47 777 652	79 249 516
Unconditional grants received	152 048 000	122 571 477
	199 825 652	201 820 993

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23. Government grants and subsidies (continued)		
Municipal Disaster Relief Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	-	417 000
Conditions met - transferred to revenue	-	(417 000)
	-	-
Extended Public Works Program		
Balance unspent at beginning of year	371	-
Current-year receipts	2 374 000	1 621 000
Conditions met - transferred to revenue	(2 374 000)	(1 620 629)
	371	371
Conditions still to be met - remain liabilities (see note 12).		
Finance Management Grant - FMG		
Balance unspent at beginning of year	-	784
Current-year receipts	2 800 000	2 435 000
Conditions met - transferred to revenue	(2 800 000)	(2 435 784)
	-	-
Electrification Grant - INEP		
Balance unspent at beginning of year	-	3 194 473
Current-year receipts	14 910 000	30 000 000
Conditions met - transferred to revenue	(14 726 934)	(30 000 000)
Transferred to equitable share	-	(3 194 473)
	183 066	-
Conditions still to be met - remain liabilities (see note 12).		
Municipal Infrastructure Grant - MIG		
Balance unspent at beginning of year	-	12 621 853
Current-year receipts	26 674 000	27 164 000
Conditions met - transferred to revenue	(26 674 000)	(39 785 853)
	-	-
Department of Sport Recreational Arts and Culture (DSRAC)		
Balance unspent at beginning of year	81 948	50 191
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(581 948)	(468 243)
	-	81 948
Conditions still to be met - remain liabilities (see note 12).		

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23. Government grants and subsidies (continued)

Small Town Revitalisation

Balance unspent at beginning of year	73 170	73 170
Conditions met - transferred to revenue	(73 170)	-
	-	73 170

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

Provincial Treasury Internal Streets

Current-year receipts	-	4 522 007
Conditions met - transferred to revenue	-	(4 522 007)
	-	-

LG SETA

Current-year receipts	547 600	-
Conditions met - transferred to revenue	(547 600)	-
	-	-

DEDEAT

Balance unspent at beginning of year	1 084	1 084
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Conditions still to be met - remain liabilities (see note 12).

24. Fines

Traffic fines	662 900	835 300
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25. Employee related costs

Basic salaries	48 945 846	42 138 840
Bonus	3 991 094	3 436 095
Car allowance	4 933 882	4 468 034
Contribution to Bargaining Council	21 265	16 701
Housing benefits and allowances	3 528 015	2 946 195
Long-service awards	362 684	269 696
Medical aid - company contributions	3 166 916	2 806 963
Standby allowance	522 478	346 822
Provident and pension fund	6 426 493	5 550 987
SDL	531 830	481 289
Cellphone allowance	39 309	39 309
UIF	331 810	331 626
Acting allowances	640 054	414 825
Leave pay provision charge	781 877	2 607 267
Overtime	543 350	463 728
	75 786 903	66 318 377

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26. Remuneration of councillors

Salaries and other allowances	9 597 506	9 112 439
Motor vehicle allowance	2 533 451	2 541 148
	12 130 957	11 653 587

27. Depreciation and amortisation

Property, plant and equipment	20 455 324	18 353 948
Intangible assets	-	1 915
	20 455 324	18 355 863

28. Interest and penalties paid

Long service awards and Landfill site Penalties	239 009	239 501
Interest SAMWU Lawsuit - Refer Note 49	391 960	-
Trade and other payables	3 979 579	5 667 251
	412 187	162 791
	5 022 735	6 069 543

29. Lease rentals on operating lease

Equipment		
Contractual amounts	-	160 806

The operating lease payments were for a contract in the 2019/2020 financial year where the municipality acted as the lessee in the agreement.

The municipality made the following lease payments from contracts that had defined lease payments and terms.

Within 1 year	-	160 806
Between 1 and 5 years	-	-
After 5 years	-	-
	-	160 806

The lease payments were in respect of equipment being leased over a period of 28 months ended on 1 November 2019.

30. Contribution allowance for impairment

Contributions to debt impairment provision	7 215 331	2 587 929
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Contribution allowance for impairment relates to receivables.

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31. General expenses

Advertising fees	961 042	849 780
Agriculture LED	2 533 162	898 942
Audit Committee fees	657 996	1 025 120
Back to School	625 318	177 065
Bad debts write off	-	206 376
Bank charges	55 355	44 482
Capacity Building	1 205 784	836 580
Local integrated transport plan	69 500	188 500
Consulting and professional fees	2 879 952	2 480 995
Council Support Administration	147 235	30 630
DSRAC Community	507 264	406 176
Expanded Public Works	2 374 396	1 436 433
Electricity Expenditure	870 064	883 234
EPWP Community	2 565 375	3 651 968
Financial Management Grant Expenditure	686 061	696 000
Financial Management fees	662 185	2 269 761
General Valuation Expenditure	397 906	184 725
Asset Valuation	141 159	810 097
Hygienic Services Administration	742 423	378 160
IT expenses	313 940	1 080 114
Indigent Support	3 174 888	2 802 836
Disaster management (COVID-19)	799 137	735 795
Insurance	675 503	477 040
Integrated Development Plan	3 015 046	1 987 963
Internal Audit Expense	643 625	330 036
Legal fees	2 355 727	735 493
Risk Management expense	296 604	-
Living the dream	167 700	39 750
Licence fees	1 226 050	755 327
Marketing and Communication	598 977	666 050
Sitting Allowance - Traditional leaders	74 312	190 840
Occupational Health & Safety	871 822	878 690
Other expenses	1 337 356	820 704
Performance Management System expense	-	63 985
Post & Telecommunication expenses	4 945 087	5 760 393
Printing & Stationery	1 424 171	875 807
LG SETA	1 593 373	-
Public Amenities	189 176	240 475
Public Participation	-	524 459
SALGA Levy	946 233	661 363
Security	3 588 631	3 241 036
Spacial Development expenses	727 620	525 000
Special Programs	772 045	1 208 651
Tourism, Arts and Culture	247 347	412 695
Travelling & Subsistence	6 004 839	5 900 669
Vehicle Fuel & Oil	1 403 308	1 151 513
Ward Committee Sitting	2 301 052	2 197 065
Waste management expenses	1 158 270	678 177
	56 933 996	52 396 950

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32. Repairs and Maintenance		
Buildings repairs and maintenance	1 640 258	394 008
Street lights	804 451	864 747
Roads infrastructure	3 550 888	2 556 916
Vehicles	189 676	81 728
Equipment	169 896	1 753
	6 355 167	3 899 152
No repairs and maintenance were effected on investment property during the year.		
33. Auditors' remuneration		
Fees	3 957 967	3 171 482
34. Completed electrification transferred		
Completed electrification expenses	12 806 029	92 176 702
35. Profit/(loss) on disposal of assets		
Property, plant and equipment	-	247 257
36. Fair value adjustments		
Investment property (Fair value model)	5 248 536	3 119 324
37. Net Cash flow from operating activities		
Surplus (deficit)	16 291 389	(37 833 737)
Adjustments for:		
Depreciation and amortisation	20 455 324	18 355 863
(Profit)/loss on disposal of assets	-	(247 257)
Completed Electrification project expensed	12 806 029	92 176 702
Actuarial (gains)/losses	669 617	(117 925)
Bad debts written off	-	206 376
Fair value adjustments	(5 248 536)	(3 119 324)
Interest Paid	3 979 579	5 667 251
Asset write off and investment property transfers	4 142 062	7 117 726
Interest written off	-	997 231
Allowance impairment	7 215 331	2 587 929
Impairment loss: Infrastructure assets	1 436 950	380 488
Inventory recognised as expense - non cash	236 718	-
(Decrease)/Increase in provision for landfill site	322 033	(455 076)
Contribution provisions- Leave and bonus	1 546 551	2 260 376
Interest on landfill site and long service awards	239 009	239 524
Increase in long term service awards	(74 058)	(143 946)
Receivables from exchange transactions and statutory receivables	(11 272 151)	(4 875 676)
Inventory	(13 242 238)	(389 292)
Receivables from non-exchange transactions	19 461 023	-
Payables from exchange transactions	8 527 926	1 647 089
VAT	5 023 228	(5 377 774)
Payables from non exchange transactions	(7 894 061)	(1 195 247)
Long Service Awards	947 252	-
Unspent conditional grants and receipts	27 948	(15 784 982)
	65 596 925	62 096 319

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38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	27 423 190	51 330 913
• Prior period error - Note 46	-	(1 309 343)
	27 423 190	50 021 570
Total capital commitments		
Already contracted for but not provided for	27 423 190	50 021 570
Total commitments		
Total commitments		
Authorised capital expenditure	27 423 190	50 021 570

This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses, existing cash resources, funds internally generated, and government grants.

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39. Contingencies				
Plaintiff	Reference	Case Number	2021	2020
Droder Trading CC	(i)	627/12	625 000	625 000
Droder Trading CC	(ii)	628/12	525 000	525 000
Nontombi Gcaba	(iii)	2760/2019	300 000	300 000
SAMWU	(iv)	457/2015	-	575 000
Siphokazi Cekwana	(v)	513/2015	6 950 000	6 950 000
Lwandlelubomvu Community	(vi)	852/2016	200 000	200 000
Fortymen Sigcawu	(vii)	851/2016	200 000	200 000
IMATU OBO Nyembezi	(viii)	ECD 031716	-	-
Lindokuhle Khumalo and Sipehelele Khumalo	(ix)	B315/2015	240 000	240 000
Khulile Nyombolo	(x)	N/A	200 000	200 000
Yolisa Sikuza	(xi)	80/2019	15 350	15 350
Eviction of illegal street vendors	(xii)	N/A	-	-
Sindiswa Mankahla	(xiii)	3078/2020	-	-
Luleko Richmond Mankahla	(xiv)	32/2020	-	-
Thake Electrical	(xv)	N/A	500 000	-
Bomi Mankahla	(xvi)	N/A	46 755	-
Economic Freedom Fighter Twenty Four Others	(xvii)	983/2021	-	-
NLM/SAMWU		1052/2021	650 000	-
			10 452 105	9 830 350

i. Droder Trading CC vs NLM (Case number 627/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period. The case went to Court in February 2020 but there is no clear outcome. The matter is now at discovery stage.

ii. Droder Trading CC vs NLM (Case number 628/12)

An Applicant entered in to an agreement with the first and the second Respondents, the agreement was that the Applicant will supply the second Respondent with the building material and the first Respondent will effect payment within 60 days or alternatively within a reasonable time upon presentation of the invoice. The Applicant complied with its obligations however, the first Respondent failed to effect payment within the agreed period. The matter is pending and the attorneys are awaiting a trial date.

iii. Nontombi Gcaba vs NLM (Case number: 2760/2019)

The Applicants are seeking a declaration to declare the recent evictions and demolition orders of their illegally constructed structures as illegal, and to have the Court Order evicting them rescinded. The matter remains pending at year end.

v. Siphokazi Cekwana vs NLM (Case number: 513/2015)

The Municipality hosted an event on the 26th of March 2015 at Ntabankulu Sportsfield where Miss Siphokazi Cekwana was attending. It is alleged that at about 15h30 on that day a storm hit the area at which the event took place as a result of which the tent collapsed injuring Siphokazi Cekwana on the right foot. The matter is now at discovery stage.

vi. Lwandlelubomvu Community vs NLM (Case number: 852/2016)

This was a Land Claims Court interdict by the Community preventing the Municipality from developing land under a land claim in terms of the Land Rights Development Act, 1995. The matter has been closed based on the fact that the municipality applied for a demolition order and all the illegal structures were demolished.

vii. Fortymen Sigcawu vs NLM (Case number: 851/2016)

Interdict against people invading land belonging to the Municipality. The municipality applied for a demolition order and all the illegal structures were demolished. The matter remains pending until the Land Claims matter is finalised.

viii. IMATU OBO Nyembezi vs NLM (Case number: ECD 031716)

Unfair labour practices on promotion. IMATU challenged appointment of the Communications Officer on the basis that the incumbent did not qualify for the position as advertised. The matter proceeded by a way of conciliation with no positive results and was later referred to arbitration.

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39. Contingencies (continued)

ix. Lindokuhle Khumalo and Siphelele Khumalo vs NLM (Case number B315/2015)

The Khumalos are trading on the side walk next to Lewis Stores, they were informed of the unlawfulness of their actions but none the less continued to trade and as a result of that they were arrested and detained. On their release they went back to the same spot where they were advised that it was not open for business and continued to trade, when they were told once again that what they were doing was in contravention to our Municipal By-laws, they laid a charge they applied for a protection order against our Municipal Official for harassment. The matter ripe for hearing and has been set down for the 20th of August 2021..

x. Khulile Nyombolo vs NLM (Case number 66/2017)

Mr Nyombolo is claiming the Municipality an amount of R200,000 for the alleged unlawful arrest, unlawful detention and the legal representation fees. The matter is ripe and will be heard on the 27th of August 2021.

xi. Yolisa Sikuza vs NLM (Case number 80/2019)

The Plaintiff has put a claim against the Municipality for an amount of R15,350 for services rendered to the municipality in respect of craftwork. The municipality will file a plea and the matter remains pending at year end.

xii. Eviction of illegal street vendors vs NLM (Case number: Not yet available)

The municipality is seeking to have all illegal containers erected on the streets of the Ntabankulu CBD be removed.

xiii. Sindiswa Mankahla vs NLM (Case number 3078/2020)

The case of the Applicant is based on the documents received by the Respondent from the Offices of Hawks in East London. On the 12th of October 2016, the Respondent was handed the documents in respect of the 2015/2016 and 2016/2017 financials irregular expenditure as per the affidavit signed and commissioned by the Respondent and witnessed by the Hawks officials in East London. These documents were handed over to the Respondent, and she never submitted them to the Applicant. It is clear from the records of the Municipality that these records were not received hence the application was lodged with the High Court of South Africa. This matter is still before court for relief sought.

xiv. Luleko Richmond Mankahla vs NLM (Case number 32/2020)

On or about the 2nd day of August 2020 and at or near Ntabankulu, Mr. Mankahla's motor vehicle (Mercedes Benz E280 with registration number and letters Ndonya-ZN) was involved in an accident. The accident was caused by an unmarked speed bump on the road erected by Ntabankulu Local Municipality. There were no signs alerting road users that there are speed bumps ahead and as a result Mr. Mankahla's motor vehicle collided with a speed bump and swerved hitting the gate and causing damages of a nearby house. As a result of the aforementioned accident Mr. Mankahla's motor vehicle was damaged beyond economic repairs and has to pay for the damaged caused to the gate and wall of the nearby house. Mr. Mankahla alleges that he suffered economic loss and emotional shock. The matter has been finalised.

xv. Thake Electrical vs NLM (Case number: Not yet available)

Thake Electrical was appointed by the municipality for implementing the electrification programme for a two-year period on a turnkey contract at a rate of R22 000 per household. A resolution was taken by the Council that Thake Electrical be approved to procure split meters on behalf of the municipality and be reimbursed an amount of R2 623 050.00. The matter was then referred to the Financial Misconduct Board for investigation in an Ordinary Council Meeting held on the 30th of October 2019. The Financial Misconduct Board advised that the Council resolution be rescinded as the amount of R2 623 050.00 was included in the appointment amount as per the cost of the turnkey project submitted in the proposal during the tender stage. It then became clear from that meeting that should the money be paid to Thake Electrical, such payment may cause an irregular expenditure hence the application with the High Court to have the decision taken by Council set aside.

xvi. Bomi Mankahla vs NLM (Case number: Not yet available)

In the month of April 2020, the municipality was served with a demand letter dated the 4th day of April 2020. The demand letter was referred to the municipality by the insurance of Mr. Mankahla claiming payment of damages suffered as a result of the pothole on the main road by Invomvo Ntabankulu. The matter has been resolved.

xvii. Economic Freedom Fighter Twenty Four Others vs NLM (Case number: 983/2021)

The EFF is challenging Council Rules, Standing Orders and Procedures on the issue of the dress code.

xix. SAMWU vs NLM (Case number: 1052/2021)

The municipality sought legal opinion from Counsel Kroon regarding the accuracy of the amount under claim by SAMWU vs the amount received by the municipality from the MEPPF. The Counsel advised that an actuarial report detailing the amount payable to SAMWU be prepared in this regard.

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39. Contingencies (continued)

xxi. SAMWU vs NLM (Case number : 1052/2021)

The municipality lodged with the High Court an application to stay the writ of execution to avoid further removal and attachment of municipal movable property while the municipality is still considering the most appropriate manner within which the amount owed to SAMWU can be settled.

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40. Related parties

Remuneration of management

Refer to note 41 for remuneration of management.

Executive committee and other councillors

2021

Name	Remuneration	Motor vehicle allowance	*Other allowances	Total
Cllr PT Sobuthongo: Mayor	526 478	-	348 656	875 134
Cllr V Matwasa: Speaker	418 981	172 172	130 261	721 414
Cllr S Menziwa: Chief Whip	217 886	90 048	89 550	397 484
Cllr N Pikwa: Portfolio Head: Community Services	234 908	90 048	53 994	378 950
Cllr S Sophaqa: Portfolio Head: Corporate Services	217 886	90 048	89 550	397 484
Cllr M Ndabeni: Portfolio Head: Development Planning	217 635	90 048	89 801	397 484
Cllr N T Mbonomtsha: Portfolio Head Budget and Treasury Services	214 338	90 048	93 106	397 492
Cllr N Ndoyisile: Exco member without portfolio	234 908	90 048	72 486	397 442
Cllr BZ Ndamase: MPAC Chairperson	230 487	87 405	69 158	387 050
Cllr B Betwayo	177 672	68 108	63 343	309 123
Cllr M Madadasa	177 672	68 108	63 343	309 123
Cllr F Ntshale	177 672	68 108	63 343	309 123
Cllr Z Makhosonke	177 672	68 108	63 343	309 123
Cllr M Nqwazi	228 012	87 405	71 384	386 801
Cllr M Dinwayo	177 672	68 108	63 343	309 123
Cllr P Mafilika	160 399	68 108	80 657	309 164
Cllr B Ndlebe	177 672	68 108	63 343	309 123
Cllr M Gweqani	160 649	68 108	80 406	309 163
Cllr T Msuthu	160 649	68 108	80 406	309 163
Cllr N Sobuthongo	177 672	68 108	44 851	290 631
Cllr S Ncekana	210 989	87 405	88 448	386 842
+Cllr K Nomanzoyiya- Deceased	16 122	6 180	3 659	25 961
Cllr E Diko	177 672	68 108	63 343	309 123
Cllr T Lubisi	172 039	68 108	68 987	309 134
Cllr N Daniel	177 672	68 108	63 343	309 123
Cllr Z Mtyaphi	158 298	68 108	82 763	309 169
Cllr N Sithunzi	177 672	68 108	59 333	305 113
Cllr S Sicwayi	177 672	68 108	63 343	309 123
Cllr M Mkizwana	160 399	68 108	80 657	309 164
Cllr N Njiva	177 672	68 108	63 343	309 123
Cllr M Mkhandanisi	177 672	68 108	44 851	290 631
Cllr N Pezisa	177 672	68 108	63 343	309 123
Cllr M Tshaka	177 672	68 108	44 047	289 827
Cllr N.Ndamase	172 595	68 108	68 531	309 234
+Cllr TR Luvela- Appointed in current year	151 584	54 229	34 860	240 673
	6 930 322	2 533 460	2 667 175	12 130 957

+Cllr K Nomanzoyiya passed away during the current financial year (July 2020) and was replaced by Cllr TR Luvela on the 31 of August 2020.

*Other allowances comprise of the following allowances: housing; cellphone and data; skills development fund and medical aid contributions

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40. Related parties (continued)

2020

Name	Remuneration	Motor vehicle allowance	Other allowances*	Total
Cllr PT Sobuthongo: Mayor	537 889	-	381 038	918 927
Cllr V Matwasa: Speaker	429 983	172 172	90 053	692 208
Cllr S Menziwa: Chief Whip	218 769	90 048	79 343	388 160
Cllr N Pikwa: Portfolio Head: Community Services	234 908	90 048	59 416	384 372
Cllr S Sophaqa: Portfolio Head: Corporate Services	218 769	90 048	71 536	380 353
Cllr M Ndabeni: Portfolio Head: Development Planning	218 668	90 048	72 654	381 370
Cllr N T Mbonomtsha: Portfolio Head Budget and Treasury Services	215 493	90 048	73 958	379 499
Cllr N Ndooyisile: Exco memeber without portfolio	234 908	90 048	54 536	379 492
Cllr BZ Ndamase: MPAC Chairperson	232 438	87 405	63 974	383 817
Cllr B Betwayo	177 672	68 108	45 360	291 140
Cllr M Madadasa	177 672	68 108	45 360	291 140
Cllr F Ntshela	177 672	68 108	46 300	292 080
Cllr Z Makhosonke	177 672	68 108	44 153	289 933
Cllr M Nqwazi	228 012	87 405	52 918	368 335
Cllr M Dinwayo	177 672	68 108	45 360	291 140
Cllr P Mafilika	161 432	68 108	41 643	271 183
Cllr B Ndebe	177 672	68 108	44 848	290 628
Cllr M Gweqani	161 533	68 108	61 030	290 671
Cllr T Msuthu	161 533	68 108	61 541	291 182
Cllr N Sobuthongo	177 672	68 108	44 847	290 627
Cllr S Ncekana	211 873	87 405	69 610	368 888
Cllr K Nomanzoyiya	177 672	68 108	45 359	291 139
Cllr E Diko	177 672	68 108	50 087	295 867
Cllr T Lubisi	177 672	68 108	47 480	293 260
Cllr N Daniel	177 672	68 108	44 847	290 627
Cllr Z Mtyaphi	159 554	68 108	43 013	270 675
Cllr N Sithunzi	177 672	68 108	33 560	279 340
Cllr S Sicwayi	177 672	68 108	47 002	292 782
Cllr M Mkizwana	161 432	68 108	41 642	271 182
Cllr N Njiva	177 672	68 108	45 360	291 140
Cllr M Mkhandanisi	177 672	68 108	44 847	290 627
Cllr N Pezisa	177 672	68 108	44 847	290 627
Cllr M Tshaka	177 672	68 108	44 847	290 627
Cllr N.Ndamase	174 547	68 108	47 894	290 549
	6 982 165	2 541 159	2 130 263	11 653 587

*Other allowances comprise of the following allowances: housing; cellphone and data; skills; pension fund and medical aid contributions

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41. Executive management remuneration

June 2021

	Basic salaries	Medical aid	*Other allowances	13th Cheque	Total
Miss L Nonyongo - Municipal Manager	1 056 078	36 929	207 194	32 876	1 333 077
Mr S Matiwane - Director Community Services	617 329	-	393 911	81 893	1 093 133
Ms N Ndlaku - Director Development Planning	617 329	-	400 608	81 893	1 099 830
Mrs X.N Venn - Chief Financial Officer	662 936	-	340 028	81 893	1 084 857
Mr P.L Mpendulo - Director Technical Services	699 045	42 660	288 857	48 007	1 078 569
Ms S.N Ntshahla - Director Corporate Services	723 372	35 107	271 455	60 000	1 089 934
	4 376 089	114 696	1 902 053	386 562	6 779 400

* Other allowances comprise travel allowance and medical benefits

June 2020

	Basic salaries	Medical aid	*Other allowances	13th Cheque	Total
Ms L Nonyongo - Municipal Manager	1 058 039	34 657	182 406	32 876	1 307 978
Mr S Matiwane - Director Community Services	617 329	-	374 951	77 845	1 070 125
Ms N Ndlaku - Director Development Planning	617 329	-	374 951	77 845	1 070 125
Mrs X.N Venn - Chief Financial Officer	662 936	-	329 298	77 845	1 070 079
Mr P.L Mpendulo - Director Technical Services	701 439	40 266	284 400	48 007	1 074 112
Ms S.N Ntshahla - Director Corporate Services	730 689	33 275	256 035	48 007	1 068 006
	4 387 761	108 198	1 802 041	362 425	6 660 425

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42. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counter parties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer receivables, other receivables, bank and cash balances.

Investments/Bank, cash and cash equivalents

The municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

	2021	2020
Receivables from exchange transactions	1 603 078	837 817
Cash and cash equivalents	35 035 977	5 154 719

43. Unauthorised expenditure

Opening balance as previously reported	147 425 087	78 415 143
Add: Unauthorised expenditure - current	-	69 009 944
Less: Amount written off - current	147 425 087	-
Closing balance	-	147 425 087

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43. Unauthorised expenditure (continued)

The opening balance for unauthorised expenditure amounted to R147 425 087. An amount of R69 009 944 incurred in the previous financial year was as a result of transfer of completed Electrification projects to Eskom, which is a non-cash item that was not properly budgeted for. Over the years, the municipality could not properly budget for non-cash items due to lack of financial reserves. After thorough investigation by the MPAC, the total amount of R147 425 087 was declared irrecoverable and written off by council.

Unauthorised expenditure is reported to Council and referred to MPAC for investigation on a quarterly basis. Previous periods including the current year unauthorised expenditure will be treated in terms of the municipal policy and be reported as legislated.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	23 264 716	1 216 530
Add: Fruitless and wasteful expenditure - current	4 762 307	162 791
Add: Fruitless and wasteful expenditure discovered in current year and relates to previous years	-	23 107 504
Less: Amount written off - current	(4 841 216)	(1 222 109)
Closing balance	23 185 807	23 264 716

Incident

Included in current year fruitless and wasteful expenditure is R3 958 160 in respect of interest charged by SAMWU provident fund on arrear contributions and an amount of R804 147 (SARS penalties R391 960 and ESKOM and Telkom interest on late payments R412 187).

Included in the fruitless and wasteful expenditure discovered in current year that relates to prior year is an amount of R19 066 667 (2013-2020) which pertains to interests charged by SAMWU provident fund on arrear contributions that were paid to MEPF pension fund instead of being paid over to SAMWU.

MPAC investigated fruitless and wasteful expenditure incurred and an amount of R4 841 216 was declared irrecoverable and approved by council for write off.

Expenditure identified in the current year include those listed below:

SARS Penalties	Disciplinary steps taken/criminal proceedings
	Fruitless and wasteful expenditure has been reported on a quarterly basis and handed over to the MPAC for investigation and treatment.
Interest on late payments	Fruitless and wasteful expenditure has been reported on a quarterly basis and handed over to the MPAC for investigation and treatment.

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45. Irregular expenditure		
Opening balance as previously reported	28 452 977	94 302 520
Add: Irregular expenditure - current year	5 642 575	2 438 210
	34 095 552	96 740 730
Less: Amount written off - prior period	(5 389 090)	(78 007 296)
Less: Prior period error	-	9 719 543
Closing balance	28 706 462	28 452 977

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. The restated opening balance for irregular expenditure amounted to R28 452 977.

Irregular expenditure for the current year amounted to R5 642 575.

Irregular expenditure written off

MPAC investigated irregular expenditure and an amount of R5 389 090 was declared irrecoverable and was written off by council in the 2020/21 financial year. As part of the MPAC report, consequence management was suggested and council approved. In line with the applicable legislation, irregular expenditure has been reported to National Treasury, Provincial Treasury, The Department of Cooperative Governance and Traditional Affairs and the office of the Auditor General.

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Non-compliance with supply chain management regulations	Expenditure has been referred to the Municipal Public Accounts Committee for investigation.	435 169
Award to close family member of an executive manager of the municipality	The financial misconduct board recommended that the expenditure incurred be recovered from the senior manager each month effective from 25 July 2021.	43 050
Non-compliance with supply chain management regulations	No disciplinary steps have been taken as the expenditure has not yet been referred to the Municipal Public Accounts Committee for investigation	5 164 356
		5 642 575

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	946 233	661 363
Amount paid - current year	(946 233)	(661 363)
	-	-

Audit fees

Current year subscription / fee	3 957 967	3 171 482
Amount paid - current year	(3 957 967)	(3 171 482)
	-	-

PAYE and UIF

Current year subscription / fee	14 075 218	12 404 985
Amount paid - current year	(14 075 218)	(12 404 985)
	-	-

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

Pension and Medical Aid Deductions

Current year subscription / fee	8 346 847	9 593 409
Amount paid - current year	(8 346 847)	(9 593 409)

VAT

VAT receivable	3 821 154	8 834 363
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There is only one councillor who owns a property in the urban area and as at 30 June 2021, there was no outstanding arrear amount over 30 days.

47. 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 council accounting officer and includes a note to the financial statements.

The following are deviations done during the 2020-21 financial year:

Supplier: Ndiphatiswe Trading Enterprise

Description of goods: Hygiene services: Disinfecting and fumigation services

Description of Deviation: An emergency as it was impossible to follow proper SCM processes due to the outbreak of the COVID-19 pandemic which led to national lockdown.

Amount: R99 570.

Supplier: Eujona Fashions

Description of goods: Hygiene services: Disinfecting and fumigation services

Description of Deviation: An emergency as it was impossible to follow proper SCM processes due to the outbreak of the COVID-19 pandemic which led to national lockdown.

Amount: R97 800.

Supplier: Eujona Fashions

Description of goods: Hygiene services: Disinfecting and fumigation services

Description of Deviation: An emergency as it was impossible to follow proper SCM processes due to the outbreak of the COVID-19 pandemic which led to national lockdown.

Amount: R99 000.

Supplier: Teo Pushing Forward

Description of goods: Hygiene services: Disinfecting and fumigation services

Description of deviation: The municipality advertised for the services 3 times without getting any proper responses. The services were needed in order to realise maximum possible profits on Municipality assets. Deviation then became the only option.

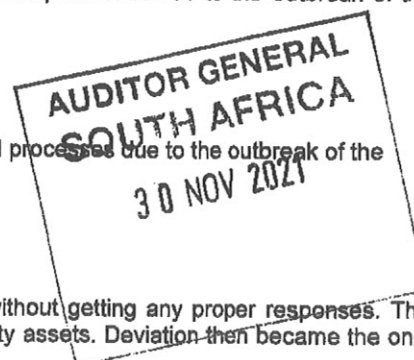
Amount: R149 937.

Supplier: Dr Sugudhav-SewperSADH Attorneys

Description of goods: Estate Management

Description of deviation: The municipality advertised for the services 3 times without getting any proper responses. The services were needed in order to realise maximum possible profits on Municipality assets. Deviation then became the only option.

Amount: Rate based at 10%.



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48. Awards to close family members of persons in the service of the state

Name of person and position	Name of spouse	Supplier name	Description of award	Total rand Value of award
Mpendulo Ngwadla - Bodyguard	Virginia Nonkululo Bam Ngwadla	Bahlongwana Trading Enterprise	Procurement of bale of Hales	16 000
			Provision of transport for outreach	4 000
			Catering for fun run	9 500
			Transport from Ward 14 to SOM	4 000
			Catering for Library week even	9 500
			Catering for career exhibition	13 000
				56 000

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49. Prior period errors

1. Commitments

Commitments were overstated in the prior year by R1 309 322 due to payments made to suppliers that were not deducted from the commitments and some incorrectly deducted.

The prior year commitment amount was overstated by R1 083 119 the following payments that were made to Lwandle Consultants for the construction of the Multi-Purpose Community Centre:

- a) A payment of R574 537 made on the 28 of June 2019 was not accounted for on the prior year opening balance of the commitments.
- b) A payment of R264 291 was not deducted in the 2019/20 commitment amount.
- c) A payment of R244 291 erroneously omitted in 2019/20 commitment amount.

There was also VAT for a payment voucher dated 30 June 2020 amounting to R265 330 for Ntabankulu Multipurpose Community Centre that was not included in the expenditure deducted from commitments.

An amount of R376 220 relating to an invoice from Sikwanathi Projects CC for Vulindlela to Mbhotshongweni AR that was disputed and not paid but was erroneously deducted from the balance of commitments.

A contract amount of R393 640 for Solar Street Lights Phase 2 which commenced on the 05th of October 2020 was incorrectly captured in the commitments for 2019/2020 financial year resulting to their overstatement thereof.

A payment of R173 150.90 for Cacadu Sportsfield was incorrectly captured as R229 697.18 resulting to the understatement of commitments by R56 546.

The net effect of the correction of these errors resulted in a decrease in the prior year commitments by R1 309 322.

2. Irregular expenditure

The municipality developed an irregular expenditure checklist using MFMA SCM and Preferential Procurement Regulations 2017 and revisited the whole population of irregular expenditure from 2014/15 to 2019/20 financial years and also took into consideration the prior year audit findings that were raised.

The prior years' irregular expenditure was understated by R9 854 306 due to the following:

- An amount of R7 131 278 relating to payments that were made to Inyameko/Sizakancane Trading contract from 2014/15 to 2019/20 financial years for construction of the Multi-purpose Community Centre. Payments made to sub-contractors were understated in the irregular expenditure register. The bid for construction of Ntabankulu MPCC was awarded in contravention of SCM regulations and therefore all payments relating to the bid should have been included in the register for irregular expenditure.
- An amount of R2 035 540 expenditure was paid to MAM Projects for Solar LED lights, in contravention of Local Content (PPR 2017, Paragraph 8), was discovered during the 2019/20 audit.
- It was also identified through CAATs that an amount of R56 100 was paid to officials that are in the service of the state.
- Upon inspecting all awards against the developed checklist, it was discovered that awards amounting to R631 388 were awarded irregularly.

Irregular expenditure of R2 438 210 incurred during the 2019/2020 financial year was overstated by R134 763 which resulted from casting errors in the irregular expenditure register

The net effect of the correction of these errors resulted in an increase in irregular expenditure by R9 719 543. The errors were corrected retrospectively.



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49. Prior period errors (continued)

3. Fruitless and wasteful expenditure

A lawsuit between SAMWU provident fund and the municipality resulted to a court order issued against the municipality to pay over to SAMWU all arrear contributions with interest. The Interest incurred by the municipality as a result of this lawsuit from 2013 to 2020 financial periods amounted to R19 066 667. This resulted to an increase in Fruitless and wasteful expenditure by R19 066 667 (2013-2020) and has been disclosed as Fruitless and wasteful expenditure discovered in current year which relates to previous years

4. Revenue and Receivables from non-exchange transactions

Receivables from non-exchange transactions were overstated in the prior year by R1 664 000 due to recognition of the total LGSETA grant without meeting all the suspensive conditions as stipulated in the agreement. None of the conditions were met in the prior year.

There was also an overstatement of revenue by the same amount due to revenue that was incorrectly recognised. Correction of this error resulted in a decrease of prior year receivables from non-exchange transactions and sundry income. The error was corrected retrospectively.

5. Payables from non-exchange transactions and expenditure- Events after reporting date (SAMWU and MEPF matter)

Payables were understated in the prior years 2019 and 2020 by R34 250 336 and R9 061 700 respectively due to a judgement that was delivered in court on 14 August 2018. The municipality received a letter from Wylie and Shepstone Attorneys demanding payment of the total contributions with interests on 4th August 2020. In the letter, SAMWU Provident Fund demanded that they be paid an amount totaling to R43 312 037.

There was also an understatement of receivables by R24 245 370. Opening accumulated surplus was overstated by R13 399 416 and interest charged for 2020 understated by R5 667 251.

Correction of this error resulted to an increase in payables from non-exchange transactions, receivables from non-exchange transactions, interest charged and accumulated surplus.

The error was corrected retrospectively.

6. Receivables from non-exchange transactions and interest received.

Receivables from non-exchange transactions were also understated in the prior year by R5 139 624 due to non-recognition of a receivable and interest that should have been charged on the MEPF debtor. This also resulted to an understatement of opening accumulated surplus by R2 346 798 and interest received in the prior year by R2 792 826.

The errors were corrected retrospectively

Correction of these errors resulted in an increase of prior year receivables from non-exchange transactions and interest income and accumulated surplus.

The correction of the errors resulted in adjustments as follows

Statement of financial position

Decrease in receivables from non-exchange transactions	-	(1 664 000)
Increase in payables from non-exchange transactions	-	(43 312 037)
Increase in receivables from non-exchange transactions- MEPF	-	29 384 994
Opening Accumulated Surplus or Deficit	-	11 052 618
	-	(4 538 425)

Statement of financial performance

Decrease in sundry income	-	(1 664 000)
Increase in interest expense- SAMWU lawsuit	-	(5 667 251)
Increase in interest Received MEPF	-	2 792 826
	-	(4 538 425)

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50. Going concern

The 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.

51. Events after the reporting date

The court order against the Municipality and the Municipal Employees Pension Fund to pay SAMWU Pension fund for the contributions made and interest resulted in a subsequent non-adjusting event as detailed as follows:

A court order dated 04th October 2021, was received from the First National Bank, directing the Sheriff to attach and take into execution the municipality's bank account (movable property), held at First national Bank to cause the Bank to release payment of the sum amount of R26 039 553.01, inclusive of interest calculation from 1 October 2013 to 31 January 2021, together with further interest calculated from 1 February 2021 at the interest rate prescribed in terms of Pension Funds Act 24 of 1956.

The Municipality has developed a Draft Financial Recovery Plan that takes into consideration the status quo of Municipal Finances with clear plans for implementation within the next 6 months to ensure that Municipal objectives are met. As a high priority, municipal attorneys will make a follow-up with the Municipal Employees Pension Fund to recover the outstanding debt with interest. The IDP, SDBIP and Budgets documents will be revised in line with Section 72 of the MFMA and operational expenditure will be implemented at a lower scale. The most significant capital project that has been affected by the event is the Construction of Traffic Offices which is funded by the Municipal Equitable Share. Other grant-funded Capital Projects have not been affected by the execution as only own funded investments were used to finance the uprpt execution.

The Matter has been tabled to the outgoing Council which recommended that consequence management must be implemented. The new Council will also be advised of the matter to ensure ownership and oversight on the financial recovery plan.

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52. Impact of COVID-19 pandemic

At the end of March 2020, the COVID-19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on 26th March 2020, which meant that businesses that were not seen as essential had to shut down.

This then meant any facilities that are normally rented out by the municipality had to be shut down and the affordability customers was negatively affected as such debt collection reduced even further. COVID-19 had a significant impact on the amounts as disclosed on the annual financial statements. The affected areas were mainly debtors, cash and cash equivalent, debtor's impairment.

All areas of society were affected by the global pandemic as a result of the COVID-19 virus. South African government announced the national state of disaster and further gazetted regulations implementing National lockdown Level 5. The declaration of the national state of disaster as published in Gazette No 43096 on the 15th March 2020 and extended thereafter has had an impact which meant that businesses that were not seen as essential had to shut down.

COVID-19 had a significant impact on the amounts as disclosed on the annual financial statements. The affected areas were mainly debtors, cash and cash equivalent, debtor's impairment.

The municipality continued to provide services during the national state of national disaster and raised revenue in accordance with services provided under both exchange and non-exchange revenue. Management has assessed that there have been no material changes in revenue raised for services. The nationwide lockdown has had a negative impact on the entity's recovery of income generated. The municipality in its assessment of impairment has considered the consumers risk profile and payment history.

Management has considered the impact of COVID-19 and that there have been no material changes in the use of asset that would require a change in the expected useful life of assets.

No material information has come to the attention of management to suggest that there is a going concern issue. The financial statements for the year ended 30 June 2021 have been prepared under the going concern assumption.

The President on 26 March 2020 in terms of Section 27(1) of the Disaster Management Act announced a lockdown due to the COVID-19 pandemic. The pandemic has impacted many industries including the public sector-local government, provincial and national government. The Municipality has put in place measures to adhere to the safety requirements and protection of staff and customers and the public at large to mitigate the health risks associated with the pandemic.

In response to the pandemic a total amount of R1,291,557 (2020: R921,619) was incurred by the municipality for COVID-19 related procurement as at 30 June 2021 and 30 June 2020 respectively. The expenditure is broken down as follows:

Description

Fumigation, cleaning and disinfecting municipality offices and re-disinfecting and fumigation of municipality offices and Elucingweni Hall	648 249	357 494
Doctor to test for COVID 19	205 110	-
Sanitizing booth, 15 electric dispensers	117 217	149 550
Generator and street Light at Phakade road block	-	88 200
Sanitizers, spray containers, handwash, faceshield, wall mounted soap dispenser, surgical gloves, palm gloves, cloth masks and faceshields	50 060	326 375
Covid 19 rapid response stipends	89 298	-
Radio slot for Covid awareness	15 000	-
Internal Audit fees for audit of Covid 19 response meetings	105 048	-
Catering and lunch packs for Covid 19 rapid response meetings	30 375	-
Transport to go to Covid 19 rapid response meetings	31 200	-
	1 291 557	921 619

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53. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of goods and services delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis.

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

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

Community Services

Unallocated

Planning and development

Public safety

Roads

Refuse

Electricity

Goods and/or services

Halls, cemeteries, parks, tourism, animal pounds and library services

Unallocated Segment

Strategic development and planning

Traffic control

Construction and maintenance of roads and storm water

Waste management and refuse removal

Electrification

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed

Geographic Segment Reporting

The municipality's operations are in the Eastern Cape Province

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical areas.

Measurement of specific segment information

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

The Municipality had no changes in the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments is disclosed above

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53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

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53. Segment information (continued)

2021

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
Revenue								
Revenue from exchange transactions								
Service charges	-	-	-	-	-	634 963	-	634 963
Rental of facilities and equipment	-	528 462	-	-	-	-	-	528 462
Interest revenue	3 040 102	-	-	-	-	-	-	3 040 102
Licences and permits	-	-	-	-	653 718	-	-	653 718
Sundry income	174 881	160 521	21 626	-	-	-	-	357 028
Revenue from non-exchange transactions								
Property rates	14 575 095	-	-	-	-	-	-	14 575 095
Government grants & subsidies	167 544 129	-	-	17 554 589	-	-	14 726 934	199 825 652
Fines	-	-	-	-	662 900	-	-	662 900
Total segment revenue	185 334 207	688 983	21 626	17 554 589	1 316 618	634 963	14 726 934	220 277 920
Entity's revenue								220 277 920

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53. Segment information (continued)

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
Expenditure								
Employee related costs	62 131 077	2 288 137	2 016 974	1 626 810	6 029 133	926 992	767 780	75 786 903
Remuneration of councillors	12 130 957	-	-	-	-	-	-	12 130 957
Depreciation and amortisation	8 204 579	145 195	-	11 460 567	68 261	576 722	-	20 455 324
Interest paid	5 022 735	-	-	-	-	-	-	5 022 735
Contribution allowance for impairment	7 215 331	-	-	-	-	-	-	7 215 331
General expenses	53 870 217	1 589 863	642 541	1 239 710	52 866	102 366	1 436 433	58 933 996
Repairs and maintenance	885 974	-	-	4 355 339	71 578	237 825	804 451	6 355 167
Auditors fees	3 957 967	-	-	-	-	-	-	3 957 967
Completed electrification transferred	-	-	-	-	-	-	12 806 029	12 806 029
Decrease/(increase) in provision for landfill site	322 033	-	-	-	-	-	-	322 033
Fair value adjustments	(5 248 536)	-	-	-	-	-	-	(5 248 536)
Actuarial gains/losses	669 617	-	-	-	-	-	-	669 617
Asset write off: Investment Property	4 142 062	-	-	-	-	-	-	4 142 062
Impairment loss: Infrastructure assets	1 436 950	-	-	-	-	-	-	1 436 950
Total segment expenditure	154 740 963	4 023 195	2 659 515	18 682 426	6 221 838	1 843 905	15 814 693	203 986 535
Total segmental surplus/(deficit)								16 291 385

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53. Segment information (continued)

2020

	Unallocated	Community Services	Planning and development	Roads	Public safety	Refuse	Total
Revenue							
Revenue from exchange transactions	-	-	-	-	-	600 251	600 251
Service charges	-	557 087	-	-	-	-	557 087
Rental of facilities and equipment	5 862 819	-	-	-	-	-	5 862 819
Interest revenue	703 834	-	-	-	-	-	703 834
License and Permits	564 596	5 478	-	-	43 405	-	613 479
Sundry Income							
Revenue from non-exchange transactions	12 621 688	-	-	-	-	-	12 621 688
Property rates	201 820 993	-	-	-	-	-	201 820 993
Government grants and subsidies	-	-	-	-	835 300	-	835 300
Fines	-	-	-	-	-	-	-
Total segment revenue	221 573 930	562 565	-	-	878 705	600 251	223 615 451
Entity's revenue							223 615 451

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	Unallocated	Community Services	Planning and development	Roads	Public safety	Refuse	Total
53. Segment information (continued)							
Expenditure							
Employee related costs	55 356 199	2 035 266	1 868 688	1 135 104	5 102 407	790 713	66 318 377
Remuneration of councillors	11 653 587	-	-	-	-	-	11 653 587
Depreciation and amortisation	5 959 164	105 038	-	11 502 890	56 570	732 201	18 355 863
Interest paid	6 069 543	-	-	-	-	-	6 069 543
Lease rentals on operating lease	160 806	-	-	-	-	-	160 806
Bad debt written off- Interest	997 232	-	-	-	-	-	997 232
Contribution allowance for impairment	2 587 929	-	-	-	-	-	2 587 929
General expenses	49 436 024	1 457 156	1 208 651	-	209 880	85 239	52 396 950
Repairs and Maintenance	411 594	-	-	3 421 663	17 594	48 301	3 899 152
Audit fees	3 171 482	-	-	-	-	-	3 171 482
Completed electrification transferred	-	-	-	92 176 702	-	-	92 176 702
Profit/(loss) on disposal of assets	(247 257)	-	-	-	-	-	(247 257)
Decrease/(increase) in provision for landfill site	(455 076)	-	-	-	-	-	(455 076)
Fair value adjustment	-	(3 119 324)	-	-	-	-	(3 119 324)
Actuarial gains/losses	(117 925)	-	-	-	-	-	(117 925)
Asset write off: Investment Property	7 117 726	-	-	-	-	-	7 117 726
Inventory written off	102 934	-	-	-	-	-	102 934
Impairment loss: Infrastructure assets	380 488	-	-	-	-	-	380 488
Total segment expenditure	142 584 450	508 136	3 077 339	106 236 359	5 396 451	1 656 454	261 449 189
Total segment supplies (deficit)							(37 833 736)

54. Non-Living Resources

Other than land, the Municipality identified an aquifer as the only non-living resource of which the water is being extracted with the use of a borehole. The municipality uses the water for consumption as it does not distribute water to customers..

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55. Municipality acting as the agent

Description of the arrangement and transactions undertaken

The municipality signed two agreements with the Eastern Cape Department of Human Settlements (ECDHS) on the 9th and 12th of March 2021

The purpose for the agreement signed on 09 March 2021 is for the Municipality to provide support as an implementing agent for the procurement of professional service providers (PSP) to undertake the planning, design and monitoring of the projects under discussion and procurement of suitable qualified service providers to undertake the construction of the Ntabankulu Multipurpose Community Centre (known as I.wandlobomvu).

The purpose of the agreement signed on 12 March 2021 is for the Municipality to provide support as an implementing agent in Bomvini 300 (206) and Bonxa 1000 (100) housing projects in Alfred Nzo District. The department will make available the funds required to implement the programme referred to the procurement strategy

There were no transactions undertaken by the municipality in the current financial year

Significant terms and conditions of the arrangement

The ECDHS shall make payment of the project funds to the Implementing Agent (Municipality) in accordance with the provisions of the agreement

The Municipality shall set up and administer an independent interest-bearing bank account with a reputable financial institution in the Republic of South Africa in which to receive the projects funds from the ECDHS

The Municipality shall furnish to ECDHS progress reports and report on jobs created on a monthly basis to the department on the last day of each month with supporting documentation if requested by Local Authority

The ECDHS may not request the Municipality to perform any services or functions not falling within the scope of services set out in the agreement.

Resources (assets / liabilities) recognised by the municipality that are held / incurred on behalf of a principal

Payables on behalf of the principal

11 784 690

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